

Nation's Business

A USEFUL LOOK AHEAD

MAY 1961

What's happened to **SALESMANSHIP**

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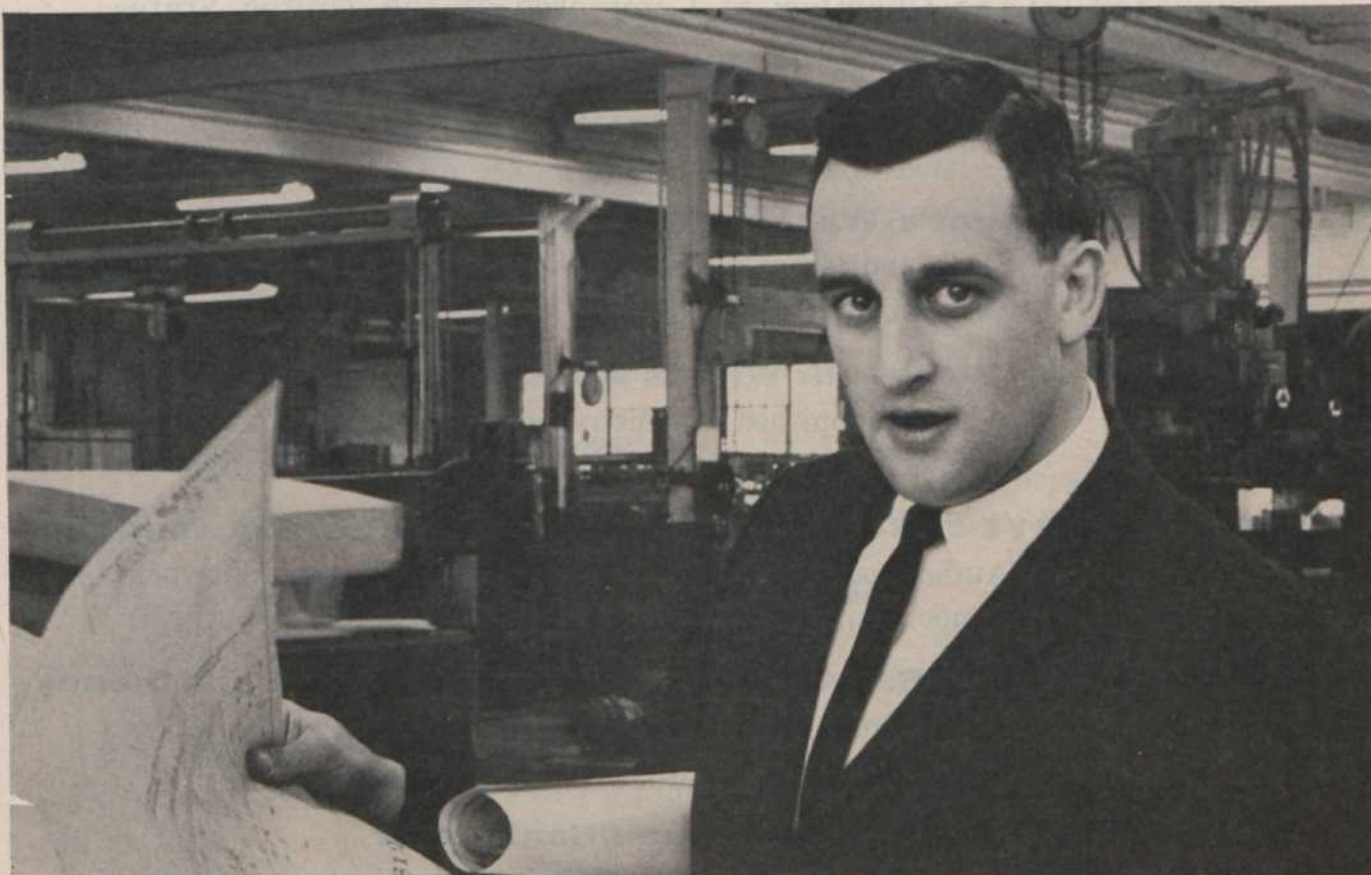
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Eiffel Tower, seen from the Palais de Chaillot—15 minutes from a Bank of America branch

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Cuyahoga Falls, O. to Atlanta . . .	\$1.30
Kansas City to New York	\$1.60

These are day rates, Station-to-Station, for the first three minutes. Add the 10% federal excise tax.

BELL TELEPHONE SYSTEM



Nation's Business

May 1961 Vol. 49 No. 5

Published by the Chamber of Commerce of the United States
Washington, D.C.

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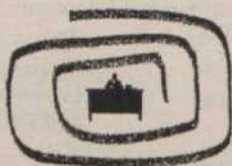
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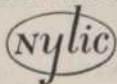
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► **TRY THIS QUESTION** on your friends:
How many Americans pay federal taxes on \$1 million income?

Answer: 244 by latest count.

Survey by Internal Revenue Service reveals that's how many returns show a taxable income of \$1 million or more.

Now note this:

Total taxes paid by \$1 million-and-up taxpayer group would operate federal government only from noon today until about 1:30 tomorrow afternoon.

If these people were taxed 100 per cent of income, it would run the government 14½ hours longer.

► **STUDY INDICATES** it's getting harder to earn \$1 million taxable income in a single year.

Only one out of 241,000 Americans who file federal tax returns is in that bracket.

Odds compare with one out of 216,000 taxpayers who filed in '55.

► **BUSINESS FUTURE** comes clearer into focus.

You read in NATION'S BUSINESS three months ago:

"... Look for spring thaw to bring signs of business improvement."

Now, as predicted, you see good signs all about.

► **NEXT QUESTION IS:**

How fast will economy be going up in period ahead?

Base your plans on these probable trends:

Total value of all goods and services U. S. produces will edge up during early months ahead.

Then, near year's end, look for a big jump in total production.

► **GROSS NATIONAL PRODUCT**--main measure of economic activity--will climb to a probable annual rate of \$520 billion or more by final quarter this year.

Last year's total was \$503 billion.

► **BUSINESS SURGE** at year-end will shift economy into boom gear for '62.

That's expected to be best year ever--up in volume, up in profits.

► **YOU GET MIXED TRENDS** partly because of

interpretations--which differ.

Note business expenditures.

Company spending for new plant and equipment, for year as a whole, will be down about three per cent, according to latest Commerce Department survey.

Some economists interpret this as bad sign for business.

But that's not the whole story.

Trend, down in recent months, already has turned up and is expected to continue up in remaining months this year.

► **IN ADDITION**, keep in mind that outlays for plant and equipment are aimed at cutting costs--to boost profit potential for period ahead.

And businessmen spend money in other ways to improve profit prospects.

Example:

Spending for research and development of new and better products, new methods of production, packaging, shipping and selling.

This kind of spending is on upgrade.

What this means, on the whole, is that businessmen are attacking the problem of shrinking profit margins.

► **WILL PROFITS RISE** this year?

Yes--for most companies.

Over-all profit trend began falling early in 1959.

Trend fluttered in '59 and '60, was mostly down.

But cost-cutting programs will begin to pay off soon.

Economists who watch trends daily think bottom was reached last winter.

From here on you can expect improvement running into next year.

New profit peak, however, is not yet in sight, although it could come by end of next year.

► **NEW INVESTMENT** will give lift to nation's economy in next 12 months.

Future shapes up like this:

Gross private domestic investment was \$73 billion last year.

Trend has been downward for more than a year, slipping from annual rate of \$79 billion early last year to an estimated \$64 billion rate this quarter.

This probably is the bottom.

Spending is expected to begin rising, could go to \$77 billion rate by this

time a year from now. This trend is indicated by projected increases in construction, producers' durable equipment and probable build-up of business inventories.

►HERE'S USEFUL LOOK at basic measures of business progress:

►DURABLE GOODS--Sales running at annual rate of \$44.5 billion a year ago.

Now going at estimated \$41.5 billion yearly rate.

Outlook is for increase to estimated \$46 billion rate a year from now.

►NONDURABLE GOODS--Sales going at rate of \$153.5 billion a year ago.

Now running about the same.

Forecasters, noting that trend is up after declining a small amount in final half of last year, think spending will go up to \$161.5 billion by this time next year.

►SERVICES--Total volume year ago was \$130.9 billion.

Figure now is about \$138 billion.

Appears headed toward \$144.5 billion annual rate by this time next year.

►THESE ESTIMATES come from economists with good records of forecasting over a period of years.

Indicated is a generally rising level of economic activity.

But, as already noted, there will be no constant pace of increase.

Nor will all businesses rise together.

Those companies which do better than others will be those with strong selling techniques and good salesmen.

You'll want to look on page 34 for an analysis of what's wrong with selling today.

►ONE THING THAT WORRIES some insiders in Administration is inflation.

Not inflation now--it's unlikely this year.

But inflation later--for fear it would erupt as hot political issue just about time of next election.

Example:

Quick tax cut for individuals might spark an economic surge--could boost such indexes as personal consumption, na-

tional production rates, flow of goods.

But risk of future inflation, economic advisers emphasize privately, would rise substantially.

Economy, they point out, is already turning up--reflecting end of business plateau we've been on for months.

Paying for economic recovery with tax reductions under these circumstances, economists feel, would probably fuel new inflation in years ahead--particularly '62, when new boom is expected anyway, and Congress will be up for re-election.

►INTEREST RATES will stand firm for next six months at least.

After that?

Upcreep is probable.

Here's why:

Pressures on interest rates--both up and down--just about balance at present.

But pressures shaping up now will influence cost of borrowed money on the up-side by late fall and winter months.

Federal government is headed toward more red-ink financing.

Budget deficit of more than \$2 billion is prospect for fiscal year ending next month.

Big deficit next year is sure thing, probably running about \$3 billion.

That means U. S. will require more new financing, pushing federal debt above \$290 billion.

At same time, business volume will be expanding, adding to demand for funds.

Coming expansion of building volume also will add to need for funds.

Page 72 tells you what you can do now to improve your chances of borrowing what you'll need in the future.

►KEEP AN EYE on President's new labor-management advisory committee.

You'll see headlines during next few months as result of recommendations this group will make.

Here's background for you to keep in mind as future events unfold:

Group includes top union men, business and public members, plus Secretaries of Labor and Commerce.

Committee's first assignment:

Assess economic impact of automation and foreign competition.

Upcoming assignments:

Study of wage-price policies, worker

management's WASHINGTON LETTER

productivity, collective bargaining and unemployment.

Committee meets once a month, advises President on broad policy problems.

►HOW WILL THIS GROUP'S advice be used?
That's something you'll want to watch.
Look at wage-price field for some of the possibilities.

If labor-management group recommends holding the line on wage increases, President could call on union leaders on the committee to cooperate by going easy in collective bargaining demands.

If the group recommends that prices need to be held down, President could ask seven employer executives on the committee to help gain cooperation of businessmen.

►YOU CAN GUESS--because of committee's membership--that any kind of wage-price recommendations are likely to be double-edged.

That is, committee is most likely to call for moderation both of wages and prices without getting very specific.

Importance of this group is not what it is likely to do but what it could recommend that would affect business.

For this reason you'll want to watch its actions between now and fall.

►NEW AVIATION TRAINING program will be started by Navy.

Key feature:

Private enterprise will be involved.

Other services--Air Force, Army--have used civilians to train pilots for many years.

Navy has rejected idea repeatedly, even in face of studies that show tax money running into millions could be saved annually.

What's coming is this:

Navy will spend an estimated \$600 per student to give elementary flight training to qualified Naval ROTC college students.

Program will get into full swing next fall, spreading to 35 colleges and universities by summer '62.

Contracts will be handled through colleges and universities, awarded to civilian flight schools in most cases.

Estimated 500 Naval ROTC trainees will be involved each year.

Army currently is training about 450, Air Force training about 1,700 a year.

Flight training in universities is no substitute for combat schooling students get after entering active service.

But pilot candidates with in-college flying do far better than those without.

►SWITCH ALSO MEANS saving to taxpayers because initial training costs less.

Example:

Cost of training flyers in college up to point of first solo flight runs between \$110 and \$135 per student.

Air Force jet training to point of first solo costs up to \$500 just for gas and oil alone.

►REDS TAKE DEAD AIM at Thailand.

Remember that headline?

If you're a long-time reader of this magazine you saw it in 1955.

Article published then identified what Chinese communist regime had planned for Southeast Asia.

Here's key thought:

"There is no doubt that Thailand ranks high on the list of nations that Red China is ambitious to control.

"Thailand is strategically located in the center of a bloc of free nations that comprise a package China covets--Laos, Cambodia, Burma and the rest of Viet Nam."

Laos, hot with communist action today, stands between Red China and Thailand.

Laos, socially and economically, is unimportant to communism except for new territory.

But Thailand has food surplus that is badly needed in China.

Whatever happens next in Asia, you can be sure that red aims have not changed.

They want control--not only of Laos--but of all Asia.

►LITTLE-KNOWN FACT about employment:

For 27 consecutive months the total number of people with jobs has been higher than 12 months earlier.

Look for next survey to make it 28.

►TOTAL NUMBER AT WORK by latest count was 65.5 million.

That's up 861,000 from previous month.

It's also 1.2 million higher than 12 months ago.

Business opinion:

One phrase tells what is wrong with the economy

I READ WITH astonishment and distress in "Management's Washington Letter" [March] about the power of unions over certain manufacturers in the East.

If the Department of Commerce or President Kennedy wants to know what is the matter with the country's economy, the answer can be had in one short phrase—union domination of business.

The wage earners in this country, with few exceptions, have lost all incentive for doing a better job, turning out more products, or showing any consideration for the men or firms making the payrolls. Union workers are not working for the boss, they are working for the union bosses; and unless something is done to curb the power of unions, this country is doomed to the worst depression the world has ever seen.

Why the men in Congress cannot see what the unions are doing to us all is more than I can understand.

S. W. DUNGAN
Paty Lumber Co., Inc.
Elizabethton, Tenn.

As the owner of a business organized in 1944, I have been alerted to the drying up of many businesses since 1959, due to conditions which now have forced us to lay off most of our help. I have examined news reports but find not a single positive move to correct these conditions. In fact, due to political expediency, not even a mention is made of the most important but distasteful solution.

We hear about U. S. products being priced off the market. A logical examination pinpoints the starting cause as the sitdown strikes of the early 1930's. This is not meant to be critical of the fundamental purpose of unions, but rather to point out that the abuses started then have continued until the unions now control elections, the very thing our Constitution-writers feared.

So much for the real cause of our depression. Additional indirect causes are due to the paralyzing effect of taxing bureaus, which have mushroomed to utter confusion.

All the pump-priming plans used since the war and being proposed

today will only aggravate the present situation.

"Management's Washington Letter" notes that the courts have decided where a man must locate his business, etc. Does tribute money in union coffers indicate that unions are still organized for the benefit of workers? Let us start too long deferred corrective moves so that we can avoid positive slavery.

V. L. WESTBERG
President
Westberg Manufacturing Co.
Napa, Calif.

Debunking school claims

I have read with great interest "False Claims in School Control Drive" [March].

Because I sincerely believe that the information should be disseminated to as many of our citizens as can possibly be reached, I would like permission to use the article in reprints or in radio broadcasts.

JACK HOFFMANN
Murphy-Hoffmann Agency
Watertown, S. D.

► Permission granted.

This is one of the few times I have seen a completely documented article debunking the so-called reasons for federal aid to education.

I would like to suggest that, for the good of the nation, you mail a copy of this article to every member of Congress. If our country is saddled with the bureaucratic control of education under a federal aid program, it will be the beginning of the end of freedom of thought. It is imperative that we act now.

GEORGE L. BERGHORN
Elmhurst, Ill.

Communism exposed

In March you published two articles exposing activities of the international communist conspiracy which is actively working toward the overthrow of our American liberties and way of life: "Red Slant Reaches 10 Million U. S. Readers" and Felix Morley's "Do We Want Freedom For or Freedom From."

In publishing such articles you are rendering a real service to

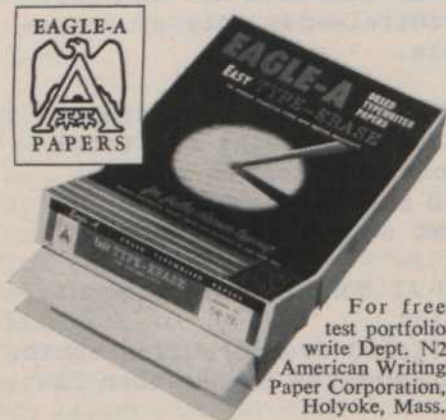
*will she or
won't she...*

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ANNOUNCING

An extraordinary Value Line Special Situation
Report on an overlooked industry group
where new developments have stimulated

EXPLOSIVE GROWTH

and in which we expect

STOCK PRICES TO DOUBLE & TRIPLE

Moreover, the stocks herein brought to light are
low-priced stocks now selling under \$5 or \$10

"Explosive growth" is a phrase not often used by the Value Line organization. Nor is it ever used loosely.

For this overlooked industry-group—whose revenues are doubling every 4 or 5 years, with virtually no end in sight—the phrase "explosive growth" exactly describes the facts.

Until now, however, certain government policies about to be changed, have had a devastating effect on profits for companies in this industry. Until now—and not surprisingly—the investment community has therefore virtually ignored this group despite its foreseeable key role in one of the nation's major industries.

But as the investment meaning of new developments becomes increasingly obvious, we expect that demand for, hence the prices of, these stocks may advance dramatically.

Should you decide to act upon Value Line's specific buy recommendations now, we suggest you consider a "package" of these stocks rather than any one of them. (Because most of these issues are low-priced, it is possible to purchase several of them—thus achieving the benefits of diversification without an unduly large total investment.)

No stock can ever be free of some risk. But it can be said of these stocks that the prospective rewards far outweigh any risks that can be visualized through the most intensive research and analysis.

COMPLIMENTARY

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2 3/8	10 (More than Triple)	+320%
2 1/2	9 (More than Triple)	+260%
6 1/4	18 (About Triple)	+190%
3 3/4	14 (More than Triple)	+275%
6 7/8	12 (About Double)	+75%
1 7/8	11 (More than Triple)	+485%
3 3/8	11 (More than Triple)	+225%

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Business opinion:

awaken patriotic Americans to effective action.

The Reserve Officers Association of the United States is deeply concerned over the political, economic and psychological war that the communists have been conducting on an international basis for many years.

We now have fourth dimensional (psychological) warfare committees functioning at national, departmental (state) and local levels for the purpose of informing citizens as to the situation.

NATION'S BUSINESS is helping in public education and we commend your efforts.

LT. COL. FREDERICK W. BUCKY JR.
Chairman, 4th-DW Committee
Jacksonville, Fla.

Is it possible to purchase reprints of "Communism on Schedule" [February]?

My daughter is now writing an entrance exam to the school of her choice. This privilege would not be hers should our system, through ignorance or complacency, fail.

PAUL A. DANABY
Minneapolis, Minn.

Appraisal of school problem

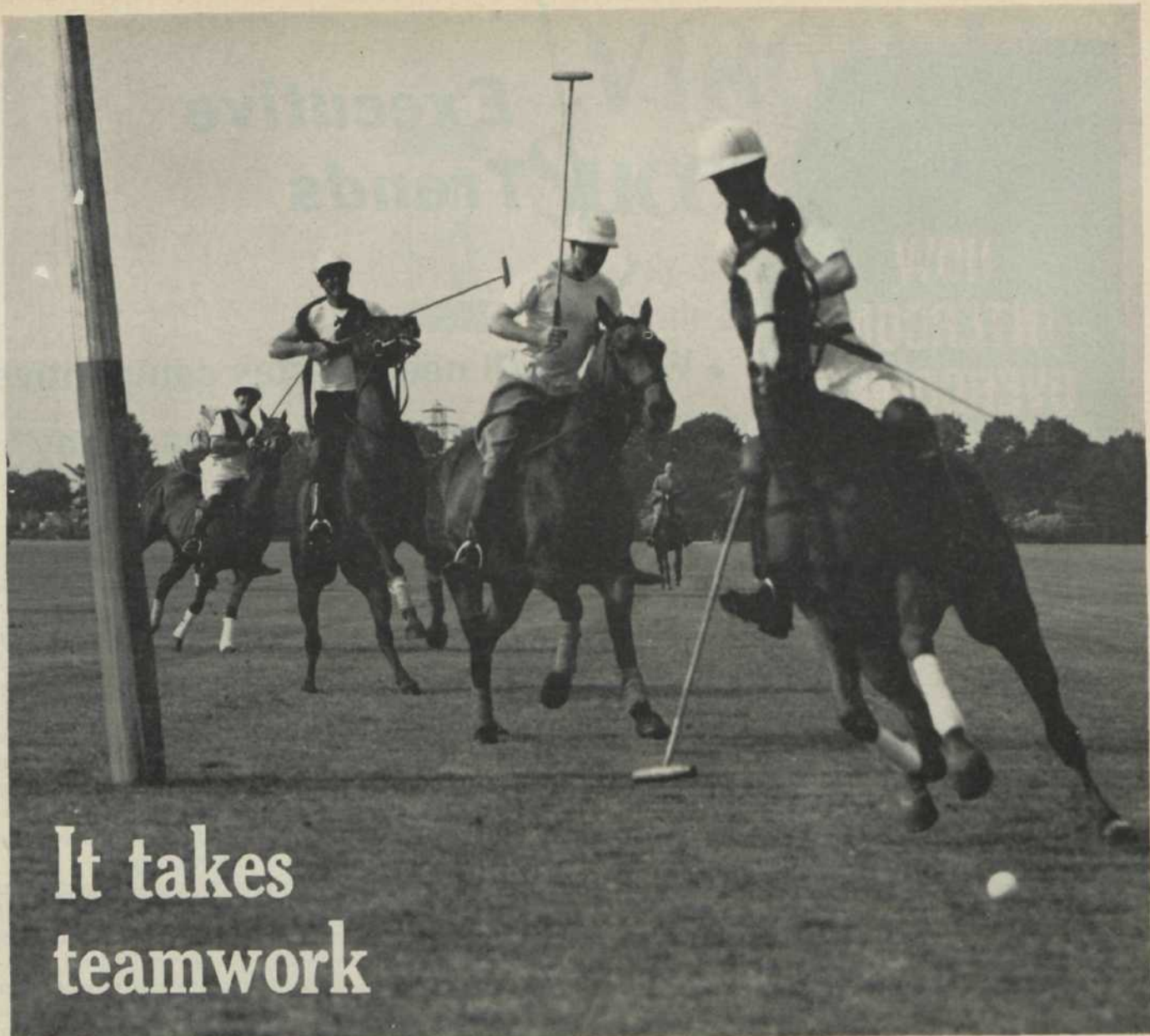
Felix Morley's "U. S. Dollars Would Increase Education Ills," [April] is one of the clearest appraisals of the federal government's unwise proposals toward education that I have read.

Being both a college student and businessman I am especially interested in studying contemporary problems in education. I have concluded that since less than 300 school districts out of 40,000 in the U. S. are in a penurious position it would be nothing less than a burlesque to extend aid to all schools. Also, the educationists should be totally eliminated from our school systems. Our schools need values not dollars. We need real teachers not mild, uneducated guardians.

Abolish the soft, intellectually sterile teachers' colleges and substitute for them exciting and challenging liberal arts programs and once more we will take on the character of respect that we as a nation have too long forfeited.

I wish every student, parent and teacher could read Mr. Morley's excellent report.

JOHN L. CURTO
Curto Cement Paving Co.
Philadelphia, Pa.



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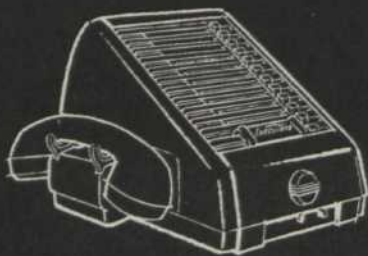
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City Zone State

- What you'll need to stay competitive
- How to get more out of each day
- Planned: Study of problem salesman

From all quarters today come predictions of fierce competition among American companies in the years ahead.

Are the predictions sound?

The answer is "yes"—judging from the opinions of consultants and marketing authorities queried by NATION'S BUSINESS.

A typical evaluation is offered by John R. Sargent, a partner in the consulting firm of Cresap, McCormick and Paget.

Mr. Sargent foresees "heavy competition... possibly the most intense competitive activity most industries have experienced in the last 20 to 25 years."

Tremendous expansion in productive capacity, an accelerating rate of new product introduction and rising distribution costs are just a few of the factors which will produce keener competition in the next 10 years, the experts say.

Tomorrow's sharper competition will show up primarily in marketing.

Attractive price, high product quality and service advantages will be key weapons in the battle for the customer dollar. Customers themselves will be choosier, more perceptive, more insistent on getting the most for the dollars they spend.

But much of the competitive infighting of the future will go on unseen by the public.

Example: Upward trend in distribution costs will generate backstage

scuffling among producers to secure the services of the most efficient and best qualified distributors and jobbers.

Ed Reynolds, manager of the marketing division of the American Management Association, says the increasing rate of technological innovation will tend to shorten the life cycle of new products.

"To survive and prosper," Mr. Reynolds says, "a company will have to plan its marketing strategy with the utmost care. It will be essential to move a new product into the market early, to exploit the opportunity while it exists, and to pull out as the market begins to close."

• • •

Tortoise-slow reading habits may be blocking your progress.

Reading specialists say the average executive spends half of his day reading, could cut two hours from the reading load by learning to read faster and with more comprehension.

Recognition of problem is spreading. More and more companies are sending executives to reading clinics, installing corrective reading programs of their own. In nation's capital, government officials are turning to speed-reading courses in greater number, perhaps inspired by President Kennedy, who took a course six years ago, built his reading speed to an excellent 1,200 words a minute.

Average businessman, before in-

VIRGINIA Success Story



1953 - Poly-Scientific Corp. Founded
1961 - Yearly Sales Reach \$4,000,000



The 33,000 sq. ft. Poly-Scientific plant at Blacksburg, Va., was completed in Nov. 1959; is already being expanded. A 9,000 sq. ft. addition is under construction and another 9,000 sq. ft. are owned in Blacksburg.



In 1953, P-S employed a handful of people; today, 400. Only 10% of these Virginians are unskilled . . . 95% are high school graduates and a high percentage are college graduates. Absenteeism is very low and turnover practically nil.



Virginia Polytechnic Institute at Blacksburg works closely with the company. A group of faculty members acts as a technical advisory committee. Many V. P. I. graduates join Poly-Scientific.

From zero to a \$4,000,000 annual volume in just 8 years — that's the story of Poly-Scientific Corporation, makers of miniaturized components for military guidance systems. P-S started operations in an old store at Blacksburg, Va. It grew rapidly and by 1958 the local industrial development corporation secured financing for construction of the present P-S plant. This plant has excellent rail and highway service . . . is well situated for distribution of company's products . . . is located in Virginia's beautiful mountain country with its excellent year 'round mild climate.



James J. Pandapas, president and founder of Poly-Scientific, says, "To make the type of product we sell, it takes the very best equipment, an extremely attractive environment and — most important of all — happy, highly-skilled people. We have all of these success factors at our Virginia plant."

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EXECUTIVE TRENDS

continued

struction, reads about 250 words a minute, according to E. L. Baab, Princeton, N. J., consultant who conducts reading improvement courses for business. After three weeks of training, Mr. Baab says, the average executive can attain a rate of 500 to 600 words a minute, which is a "satisfactory" minimum.

• • •

Key to faster reading is breaking bad reading habits acquired in the past.

Most American adults learned to read word by word, which reduces both speed and comprehension.

Good readers, authorities say, learn to see a line or more at a time.

Businessman should learn to use four different reading techniques, according to Mr. Baab.

These include:

1. Skimming—here you read rapidly for ideas, the general drift or sense of the subject matter.

2. Scanning—here you read quickly, but to spot specific information which you want to retain.

3. Intensive reading—this is reading for greater retention; a slower method, but still utilizing line-at-a-time perception.

4. Critical reading—the most careful kind of reading; to be used when you are comparing information gleaned with knowledge you already possess.

Note: Specialists find that as reading speed rises, comprehension also increases.

• • •

How well could you adjust to retirement?

Psychiatrist Ewald Busse of Duke University says research into problems of retirees indicates that professional, high-ranking executives tend to have more trouble adapting to retirement than people farther down the job scale.

One reason for this, Dr. Busse says, is that top-level men tend to invest more—emotionally—in their job, work longer hours and fail to develop outside interests which can keep them happily occupied when their careers end. As a result, many develop disabilities after retiring.

A number of psychiatrists were
(continued on page 21)

How clearly are you "getting through" to your group insured employees? Like most employers, you thought your group insurance program would promote morale, hold key employees, even increase output. But are the results clear cut?

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IES
FRONT
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Fleetside Pickup above Corvair 95 Rampside

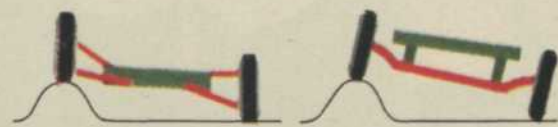
Medium-Duty with Dump Body

THEY GET JOBS DONE FASTER

(BUT TAKE THEIR TIME GROWING OLD)

Watch a Chevy working on any heavy construction project. Talk to the Texas contractor whose Chevy walks over sandy terrain where other trucks spin their wheels. Or the California petroleum gas hauler who's upped his daily delivery by 1,200 gallons with a middleweight Chevy on the pulling end.

All over the country and in every weight class truck owners are putting their faith in I.F.S.—*Independent Front Suspension*. They've seen it's the big reason a Chevrolet truck can move faster over truck-killing terrain to get more done in a day. ("I used to take some rough roads at from 5 to 8 miles an hour," the driver of the petroleum gas truck states. "Now I can go 30 over them.") Truck owners also see that while efficiency goes up, operating costs come down. A Chevy can ride the rough runs without shaking up the driver and the load, and without subjecting the body and sheet metal to excessive stress and strain. The truck lasts longer, keeps working for extra thousands of miles. If you think this is just talk, read the specs and take a ride. Then try to name another truck that compares with this one. . . . Chevrolet Division of General Motors, Detroit 2, Michigan.



With Chevy's INDEPENDENT FRONT SUSPENSION design (at left) each wheel flexes independently, keeps the truck and the load virtually level with the road; minimizes tire abuse as well as stress and strain on chassis, body and sheet metal. The ordinary I-BEAM FRONT AXLE (at right) is the type most other trucks still have—a stiff-beam design that can't help but transmit road shock and vibration from one wheel to the other and right up through the chassis, the cab and the load.

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Medium-Duty Stake



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In your personal coverage, too, INA "packaging" offers simpler and more economical coverage for your home, your car, yourself. Your INA agent or any broker will gladly explain how. See him—and get acquainted with INA.

INSURANCE BY NORTH AMERICA

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World Headquarters: Philadelphia

EXECUTIVE TRENDS

continued

interviewed by NATION'S BUSINESS on this subject. All agreed that successful emotional—and physical—adaptation to retirement requires preretirement planning, cultivation of active hobbies and, in some instances, second careers to which active men can turn.

Most doctors recommend hobbies that are of a social nature. This helps to head off neurotic preoccupation with self which can develop if a man's nonwork interests are essentially solitary.

• • •

Have problems with salesmen?

Many firms do. Common complaints include: The older man who lets down when he realizes he has reached the end of the promotion trail, the alcoholic, the man who has woman trouble, the top sales producer who is not living up to company rules.

To round up industry thinking on ways such men can be rehabilitated and revitalized, the Sales Executives Club of New York plans a large-scale survey of company practices in dealing with the problem personality; results expected in a month or two.

• • •

Vanishing jobs: The United States Department of Labor estimates that nearly a third of the job titles that exist today will be outmoded by scientific progress before 1970. These same technological changes, however, will create thousands of new job titles and new job opportunities.

• • •

Biases of personnel interviewers may be keeping good employees from getting on your payroll.

This is indicated by research into interview techniques conducted among 273 companies by personnel and testing consultant Milton M. Mandell. A report on Mr. Mandell's study has just been published by the American Management Association.

Although the interview method is universally used in screening and selecting applicants, Mr. Mandell points out that many interviewers are deficient in appraising and

evaluating job candidates. "Too much talk and not enough listening, snap judgments and poor interviewing techniques" were reported as frequent sources of interviewers' mistakes.

"More than 40 per cent of the companies reported that their interviewers are biased," Mr. Mandell says. The bias is found in terms of age, sex, race, religion, appearance and in the complex of the interviewer's own personality.

Among the elements of bias reported: tendencies of interviewers to select people whose attitudes resemble their own, choosing good-looking members of the opposite sex, overweighting the way an applicant shakes hands.

• • •

How tough a line will the Kennedy Administration adopt in enforcing and administering trade-practice laws?

Many companies are asking this question. Their concern shows up in letters to business and industry associations, management groups.

Some answers may be forthcoming late this month, early next when a professional management association brings together officials of the Federal Trade Commission, the Internal Revenue Service, the Food and Drug Administration, other government agencies to brief businessmen at New York meeting.

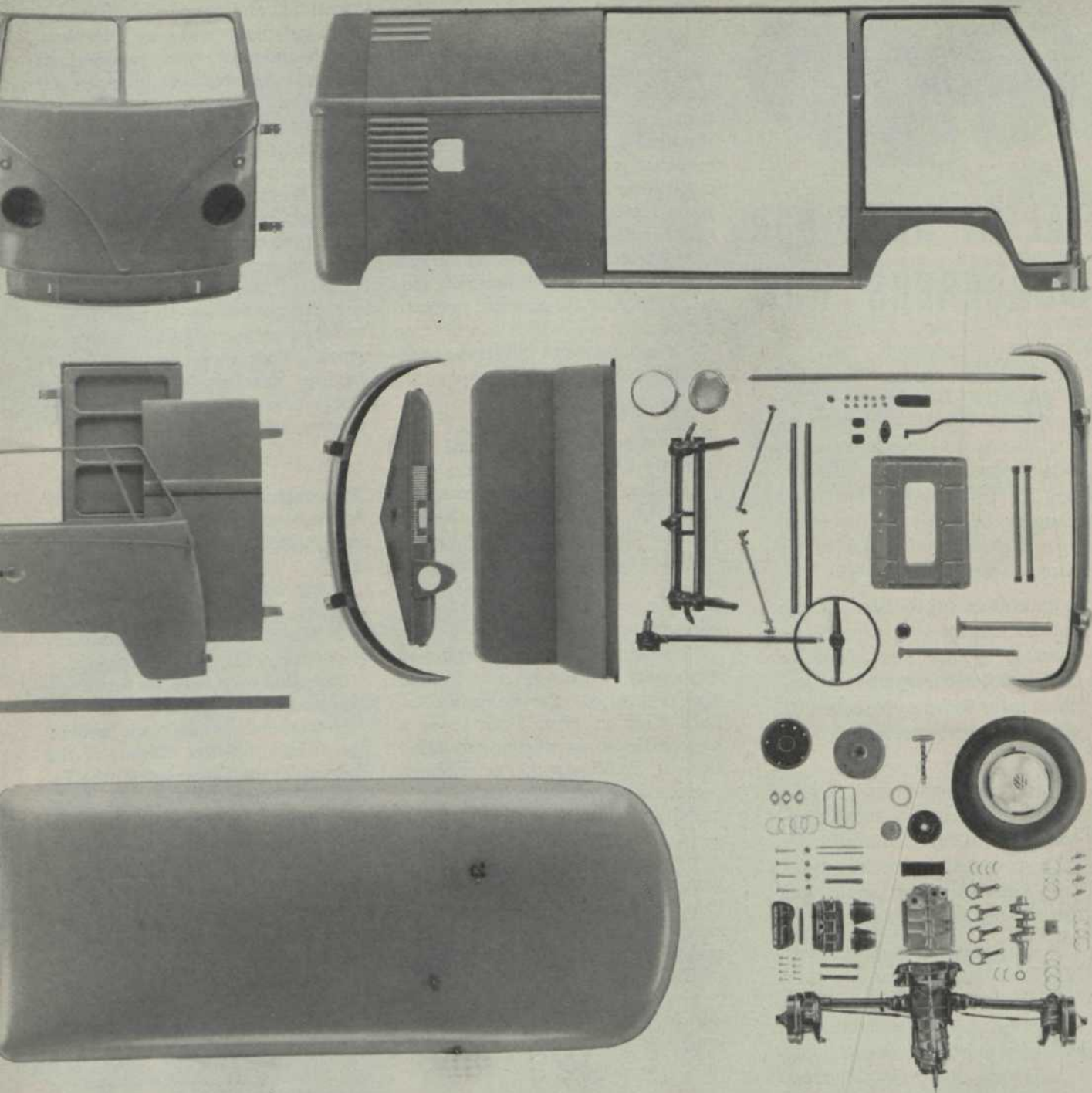
• • •

Do some executives have a group inferiority complex?

I. Nevin Palley, president of International Telephone and Telegraph Federal Laboratories, says a "professional inferiority complex is one of the chief occupational hazards plaguing the modern engineer."

Mr. Palley points out that a recent independent survey showed more than 80 per cent of all engineers surveyed were dissatisfied with their profession and many even doubtful that it is a profession.

The reason for this feeling, Mr. Palley declares, is that some engineers seem to feel guilty that they are working for industry rather than for some scientific, nonprofit organization engaged in pure creative research. These men forget, Mr. Palley adds, that "without profitable industry, there would be no nonprofit science organizations." **END**



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We've been bug-hunting for 10 years

A 1951 VW Truck looks almost exactly like a VW Truck made last week. But there are 178 differences between them—178 improvements that have been made through the years. Not in design, but in detail.

For example, one of the changes last year was a synchromesh first gear that lets you shift down into low as easily as into any other gear. And there are others as noteworthy.

Ten years of actual road experience have given Volkswagen engineers full opportunity to discover and eliminate any mechanical faults.

Ten years of step-by-step improvement have given the Volkswagen dealer and his service mechanics full opportunity to know VW Trucks through and through.

As a result, you can now judge VW Trucks not on what *we* think they

ought to be able to do, but on what they have already done—for owners of 110,000 VW Trucks in this country. Your Authorized VW Dealer will be glad to show actual cost reports from some of these owners. Just ask for a copy of our 60-page illustrated booklet, "The Owner's Viewpoint." It's free. No obligation, of course.



G.O.P. prepares for '64 with research and money

BY EDWARD T. FOLLIARD

IN POLITICS, as in sports, they all look good when they're winning. Victory absorbs criticism, erases blunders, and causes some very ordinary politicians to fancy themselves as strategic geniuses.

The hardest test for a political party is in defeat, especially when the defeat has been by a narrow margin. In such a situation, there is sure to be bitterness, squabbling and fault-finding. The time comes, however, when the wounded political party must look ahead and start thinking about a comeback.

For the Republicans such a time arrives this spring. The occasion will be a big money-raising dinner in Washington, and the orator of the evening will be former President Dwight D. Eisenhower. He has promised to deliver his first major speech since leaving the White House.

This dinner, which will attract Republican leaders from all over the country, will herald the Grand Old Party's drive for additional House and Senate seats in the 1962 congressional elections.

More than that, it will project the party's thinking toward the next battle for the presidency in 1964.

In America, with its wonderful two-party system, there is never any prolonged holiday from politics.

Thus, while the smoke of battle was still rising from the 1960 election, the Republican National Committee put its research staff to work to determine just what had happened on Nov. 8—to see if any lessons could be learned from John F. Kennedy's defeat of Richard M. Nixon by 34,221,531 to 34,108,474, a margin of only 113,057 votes.

The answer was ready by the time the Republican National Committee held its first postelection meeting, which took place two weeks before Mr. Kennedy's inauguration as President. The answer was that the Kennedy-Johnson ticket beat the Nixon-Lodge ticket in the big cities and their suburbs.

How important the big-city vote was in the outcome was illustrated by what happened in three decisive states—Illinois, New York and Pennsylvania.

In Illinois, for example, Mr. Nixon carried 93 of the state's 102 counties and piled up a plurality out-

side of Chicago of 447,454. In Chicago, however, Mr. Kennedy amassed a margin of 456,312, enough to offset the Nixon lead elsewhere in the state and give him Illinois by 8,858 votes.

In New York, Mr. Nixon carried 51 of 62 counties and had a plurality outside New York City of 407,452. But the Big Town gave his rival a smashing plurality of 791,118 and put the Empire State and its electoral vote in the Democratic column.

In Pennsylvania, it was the same story. Mr. Nixon



Nixon, Rockefeller, and Goldwater are getting the only serious mention as next G. O. P. nominee

took 52 of the 67 counties only to lose the Keystone State because of big Kennedy pluralities in Pittsburgh and Philadelphia.

Obviously the Republicans must do something to increase the party vote in the big cities. Sen. Thrus-ton B. Morton of Kentucky, chairman of the Republican National Committee, has appointed a task force headed by Ray C. Bliss of Ohio to study the problem and make some recommendations this summer.

"The G. O. P. is still in business in a big way," Chairman Morton told party strategists, and of course this is so. The money to be raised at the dinner here

TRENDS: WASHINGTON MOOD

June 1, and at other dinners elsewhere in the country, will be used to help Republicans win House and Senate seats next year. It is almost certain that the G. O. P. will increase its strength in the House—the party out of power usually does in a midterm election—but it is doubtful that it will pick up the 43 House seats needed for control.

At this point, six months after the past presidential election and three and a half years before the next, there would seem little profit in speculating about the identity of the 1964 Republican nominee. But there is speculation, a lot of it.

So far only three names are mentioned seriously, those of former Vice President Nixon, Gov. Nelson A. Rockefeller of New York, and Sen. Barry Goldwater of Arizona.

It is easing up now, but there was a good deal of criticism of Mr. Nixon after his 1960 defeat, most of it off the record. Both conservatives and liberals

campaign and save himself for 1968. They predicted that he would do this by running for Governor of California in 1962 and promising to stick to that post through '64. (For more on California politics see page 27.)

This kind of talk overlooked two things. First, a man who is considered a good presidential possibility can't very well pick his spots. If there is strong sentiment for him within his party, he is expected to bow to it. Second, it is dangerous for a party leader to give up the leadership and assume that he can win it back again.

Howard Penniman, professor of government at Georgetown University, has gone back over the records and finds only one presidential candidate who lost, skipped a campaign, and won another nomination—William Jennings Bryan.

Anyway, all this is beside the point now, for Mr. Nixon has announced that he is returning to the practice of law and does not plan to run for the governorship of California next year. That would seem to mean that he will be available for the G. O. P. presidential nomination again in 1964. In fact he is scheduled to make a cross-country political speech-making tour this month.

Senator Goldwater said recently that Mr. Nixon had the problem of "being elected to some kind of job or not being a voice in the Republican Party." He added that "you can't run the Republican Party from a lawyer's chair—you have to run it from an elected position."

If the senator was saying that Mr. Nixon couldn't hope to win the presidential nomination again in '64 without holding office, he was overlooking some history that pointed the other way. Adlai Stevenson won a second nomination in 1956 without holding office. Wendell Willkie, whom the Republicans nominated in 1940, not only did not then hold any office—he had never before run for office.

Turning now to Senator Goldwater, he has been saying that as of now he has no intentions of seeking the G. O. P. presidential nomination three years hence. Maybe so, but his admirers are already beating the drums for him. And there is every indication that the Goldwater-for-President boom will grow louder as time goes on.

Governor Rockefeller, who pulled out of the race early in the 1960 preconvention period, has good reason to believe that his prospects will be brighter in '64. He plans to run for a second term in New York next year, and his supporters are willing to bet that he will win by a landslide.

After the last election, the Indianapolis *Star* conducted a poll among the 1,331 delegates to the 1960 Republican National Convention, asking them what man they favored for the G. O. P. presidential nomination in 1964.

The *Star* announced on Feb. 16 that it had received replies from 780 delegates and that this was the result: for Mr. Nixon, 436 or 55.9 per cent; Senator Goldwater, 218 or 27.9 per cent; Governor Rockefeller, 85 or 10.9 per cent, and a scattering of votes for others.

Most political reporters in Washington believe Governor Rockefeller will be the next Republican nominee.

UPI PHOTOS



Willkie, Stevenson, and Bryan won nomination for presidency when not holding elective offices

in the Republican Party joined in the grouching about the way he conducted his campaign.

Right-wing Republicans complained that the Californian was too gentle out on the stump, and said that he should have waged a rock 'em-sock 'em type of campaign as he did in his earlier political career.

The G. O. P. liberals argued that he should never have wooed the South but should have stressed the civil-rights issue more in the North. They said that this might have won him more support among the Negroes, who voted overwhelmingly for Senator Kennedy.

All the critics had a common complaint—that they couldn't "get through" to Mr. Nixon. This cry always goes up from the losing camp after a presidential election. Tom Dewey heard it in 1948, and Adlai E. Stevenson in 1952 and 1956.

Political forecasting is notoriously dangerous, and some would-be prophets already have been discredited in trying to chart Mr. Nixon's future for him. These were the politicians who were saying back in the early winter months that he would skip the 1964



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Californians prepare to capitalize on new political power

BY FELIX MORLEY

EVERY MINUTE of the day and night, as its rate of population increase is now running, California makes a net gain of one inhabitant. Admittedly, people occasionally die there, in spite of the incomparable climate. But many more are being born and the immigration from other states shows no sign of falling off. So, numerically speaking, California rapidly overhauls New York and during the administration of its next governor, who will be elected in 1962, is destined to become the nation's leading state in population and political influence.

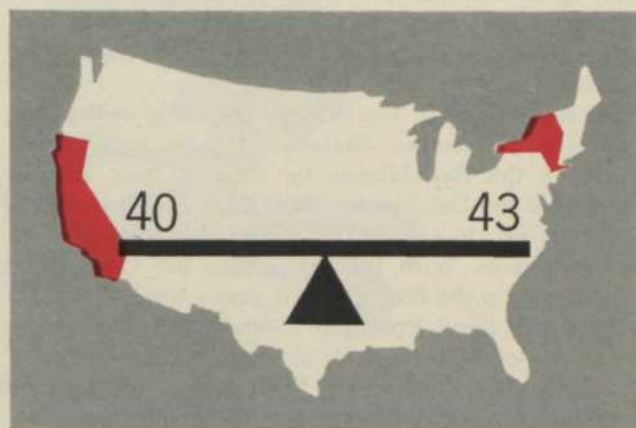
An eastern visitor, traversing California after only a couple of years' absence, sees many signs of this almost alarming rate of growth—about 10,000 people every week. During the traffic rush the arteries of Los Angeles are clogged in a manner that makes their designation as freeways sound ridiculous. South of that sprawling city the famous orange groves are being steadily bulldozed away by ever expanding suburbs. The same is true of the orchards and vineyards in the hills north of San Francisco. That lovely metropolis disclaims the more rapid growth of southern California. But from the Napa Valley south over the Oakland bridge and down the peninsula to San José is now, by the great highways, a single strip-town nearly 75 miles long.

There is pride in the growth of California, but there is also consciousness of grave problems. The current state budget estimates that 250,000 new jobs must be created there every year just to support the population increase. In the words of Robert A. Hornby, president of the State Chamber of Commerce, this means that: "A minimum of \$3 billion in capital investment in business and industrial development will be needed annually." Money as well as people must flow into California if the latter are to sustain themselves. "Our salubrious sunshine and scenic grandeur," says Mr. Hornby, "are more than offset by our too many past attempts at fiscal *hara-kiri*."

Recession has slowed industrial growth in California, as it has in the rest of the country, while its population races steadily ahead. In two respects the state has been hit harder than others. The national decline

in home building has severely affected the lumber industry in the north while in the south the shift from military airplane building to guided missiles has hurt the semiskilled occupations in which current unemployment is heaviest. Also, the economy axe at the Pentagon is currently falling on service installations.

Nevertheless, a lavish scale of social benefits helps to attract to California many whose chance of finding work there is currently slim. This situation exerts a constant leverage on taxes already high. These taxes, in turn, contribute to soaring prices. A package of



California, with 40 electoral votes now, may soon overtake New York, which leads with 43

American cigarettes costs more in San Francisco than it does in Mexico, where border towns are now catering daily to the influx of California shoppers.

In this combination of rapid population growth and accumulating problems is found the explanation of the seething political caldron in California now. Normally, six months after a political changeover is a dull period.

But most decidedly that is not the case in California today. There political discussion is likely to start at the breakfast table, continue through the day and last far into the night. Women are as keen on the

TRENDS: STATE OF THE NATION

subject as men; children give pointers to their parents; college faculties and factory workers alike have organized study groups examining issues that to most of the country would seem premature.

This exceptional interest, as pronounced in San Diego as in San Francisco, focuses on the eight additional congressmen which the Golden State will gain as a result of the 1960 census. This also means eight more electoral votes, giving California a solid bloc of 40 and therewith a commanding vote in the next electoral college. It is already certain that no candidate, in 1964, will be able to win the presidential nomination without California's endorsement. With the political balance of power swinging to the West Coast, it is not surprising that people there should take their influential position seriously.

Moreover, the course that California takes in 1964 is going to be largely settled next year. Then Edmund G. Brown, the genial Democratic governor, must either bow out or seek re-election for another four-year term. In 1962, also, the eight new congressmen must be chosen from the new districts which the strongly Democratic legislature at Sacramento is now carving out in a manner calculated to enhance the power of that party. The Republicans must organize these new districts—three in the northern, five in the southern part of the state—if they are not to lose them all. The Democrats must do the same to make their not too subtle gerrymandering effective. The span of 18 months, to November, 1962, is none too long for either party to do this job efficiently. And both of them are stimulated by the knife-edge local political situation.

On the face of it, the balance currently swings toward the Democrats. State-wide, their registration outpoints the Republicans by three to two. In the legislature the Democratic majority is even more pronounced; two to one in the House and three to one in the Senate. With this advantage the Democrats hope to sweep the board in next year's local elections, going on to hand President Kennedy all of California's 40 electoral votes if, as assumed, he is again the party candidate in '64. With such a bonanza in the offing the current interest of the White House in California politics is obvious.

The Democratic plan, however, can be more easily stated than achieved. The rising importance of the California governorship of itself stimulates rivalry for the position. Then there is the awkward fact that, in spite of Democratic preponderance on paper, the state went, narrowly, for Mr. Nixon last November.

Since the former Vice President re-established his residence in Los Angeles, there has been a notable tightening of the ranks, pruning of deadwood and infusion of new blood—if one may mix the metaphors—in the California G.O.P. The "Greater Opportunity Party" is how Mr. Nixon expanded those letters in his recent significantly titled keynote address to the State Central Committee, at Sacramento.

He is telling his people in no uncertain terms what they uneasily realize to be all too true—that popula-

tion growth alone is doing less than nothing to make their state a good place to live. In Mr. Nixon's own words:

"If California gets the reputation of being a hand-out state, that's the kind of people who will come here—people who want a handout. If, on the other hand, California gets the reputation of being an opportunity state, that's the kind of people who will come—those who seek opportunity."

The unquestionable deftness of Mr. Nixon's political leadership is seen throughout the state, and in every new issue that erupts to the surface. A good illustration is found in the outcry over the John Birch Society, very unfavorably publicized by the conservative *Los Angeles Times*. In entering the arena on this sensitive subject the former Vice President side-stepped the question of whether this extreme right-wing group is, or is not, to be regarded as an American form of fascism. Instead, he urged that people look at the underlying reason for such angry movements. This, he said, "is because our existing political organizations . . . do not offer a challenging, vital and effective program to fight the great battle for preserving and extending American ideals."

That criticism cannot be made of the rejuvenated Republican party in California today. Yet its widespread activity, even more than in the case of the Democrats, raises obstacles to the undisputed leadership of any single man. At gatherings of Republicans one hears the assertion, sometimes voiced with obvious jealousy, that the former Vice President is out of touch with state problems and by no means necessarily the best choice for governor next year.

Mr. Nixon must therefore play his cards with great caution. He cannot hope to be the Republican candidate for President in 1964 unless the state organization is solidly behind him. This it would be, were he elected governor in 1962. But to campaign openly for that post now could easily frustrate the lesser, and with it the greater, ambition. This outcome would be the more likely because the term of the next governor of California, from 1962 to 1966, is certain to be full of headaches. And any man who sought the office under suspicion of using it as a steppingstone, before completion of his term, would thereby automatically forfeit a large proportion of California's notoriously independent-minded vote.

It is therefore impossible to dissociate the problems and the politics of the great state which is now on the eve of taking population dominance away from New York. The growing pains of California are mounting, side by side with the so far unchecked flood of immigration from every corner of the country. The new factor is a disposition, or at least a threat, on the part of some industries to move out of the state because of intolerable costs, as people continue to swarm in. That is the perceptible shadow back of California's glorious sunshine.

State pride would like to see a Californian in the White House. State problems more urgently demand a first-class governor in Sacramento, wholly dedicated to a task which, like state population, grows larger every minute.



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Their ideas will shape your future

New climate in White House aids planners

A POWERFUL new force in determining the course of the nation's economy is asserting itself in Washington. Its credo: The federal government has the right and the duty to manage the economy for the public benefit.

This force is the Kennedy Administration's Council of Economic Advisers. It is tiny as government agencies go—three members and a small staff—but it has presidential authority to expand its activities far beyond those undertaken by economic advisers in previous administrations.

The Council's basic duty is what it always has been: to advise the President on broad economic policy. But under its new chairman—articulate, energetic Minnesota University economist Walter W. Heller—it is systematically broadening its role in the government's economic affairs.

Although Dr. Heller and his fellow Council members—economists James Tobin of Yale and Kermit Gordon of Williams—have held their posts only a few months, they've already made clear some of their specific immediate and long-term aims:

► To set annual production, em-

ployment, income and other goals for the economy.

► To push for higher government spending on defense and a wide variety of domestic welfare programs.

► To push down long-term interest rates, even though this and the higher spending may bring more inflation.

► To eliminate many tax advantages for special groups of taxpayers, but lower tax rates generally.

► To work out some new approaches to get foreign help for the U. S. in its balance of payments and other international economic problems.

► To develop more efficient methods of forecasting economic changes, and to attempt to prepare better for federal action to counter recession or excessive inflation—that is, to manage the economy more.

► To help sell the economic policies of the Kennedy Administration to Congress and the public.

Any skepticism as to the Council's power should be dispelled by its performance so far.

Dr. Heller and his team—all of whom, in spite of their academic degrees, prefer to be called simply "mister"—played the major role in

the antirecession program President Kennedy put together immediately after taking office, and in the stream of messages he sent Congress on economic matters in February and March. The Council wrote the original draft of the special Economic Message, with its catalog of antirecession programs.

Mr. Heller is generally credited with being the author of the Kennedy proposal to liberalize social security benefits for widows, disabled workers, men from 62 to 65, and other groups. He also worked out the various schemes in the social security and unemployment compensation plans to provide the more liberal benefits at once, as a shot in the arm for the economy, but to defer until later the tax increases to pay for them.

The Council had a large voice in the message drafted at the Treasury Department to overhaul U. S. foreign economic policy. One, two, or all three of the members took part every step of the way in the preparation of the housing, education, health, budget and other special messages. Their suggestions, practically always accepted by the agency actually charged with putting the program together, ranged

continued

from major policy to technicalities and wording.

In addition, the Council has already played a key role in many major Administration decisions not dealing with legislative policy. Mr. Heller and Mr. Tobin, for example, were extremely influential in getting the Federal Reserve Board to drop its long-standing policy against buying longer-term government securities—a switch designed to help bring down long-term interest rates to stimulate economic recovery and still hold up short-term interest rates to attract foreign funds and ease the balance of payments problem.

In Mr. Heller's office the Administration's drive to persuade savings and loan associations to lower their interest rates was decided on; the Council gave the push the Treasury Department needed to stop the Federal National Mortgage Association from selling mortgages in the open market, another move aimed at lowering home interest costs.

Sense of urgency

"In many ways, we are catalytic agents," one of the Council members says. "We don't have authority for direct action ourselves, but we can promote action by other government agencies by bringing a sense of urgency to a problem or injecting a new idea or different perspective."

In recent testimony to Congress, the Council did, in fact, set goals for economic performance, and members have already begun to speak and write more widely for the public.

The CEA's increasing prominence is in part the result of the intensity of the President's preoccupation with economic problems.

But certainly the Council's stellar role is also due to the fact that it is made up of men with outstanding professional reputation, strong views, and energetic habits. They themselves have no doubt that they will keep the CEA in the thick of governmental policy-making even after the immediate economic crises are solved.

"Our activity," says Mr. Heller, "will increase rather than drop. The problems of achieving a truly full recovery and of overcoming our lagging growth rate, of handling delicate wage-price relations, of dealing with long-term foreign economic problems, will keep us busy."

Mr. Kennedy dislikes having a number of special committees floating around the White House; he prefers to assign functions to specific agencies. For example, he established under the Council, rather than in the White House itself, an Advisory Committee on Natural Resources Policy, with representatives of the interested government agencies and with authority to consult outside experts.

The Eisenhower Administration had one special committee at the White House level studying ways to change specific government buying policies that might affect price levels generally, and another cabinet committee to adopt broad long-range policies for price stability and economic growth. The former was headed by then-Council Chairman Raymond J. Saulnier, and the latter by then-Vice President Richard M. Nixon. President Kennedy has assigned both these jobs to a new National Advisory Board on Economic Policy, under Mr. Heller's direction. The only reason he did not assign them to the Council itself is that Mr. Heller felt an advisory board might find it easier to hire part-time consultants.

The President has said his campaign pledge to set up a special White House staff man to represent consumer interests would probably be assigned to a CEA employee. He's also considering giving the Council and its expanding staff new jobs in defense mobilization planning, manpower planning, keeping track of the backlog of public works projects, and other economic areas.

The CEA is comparatively young as government agencies go. The Employment Act of 1946, better known as the Full Employment Act, proclaimed federal policy to be to "promote maximum employment, production, and purchasing power." To advise the President how to go about achieving this, the Act set up the three-man Council.

Its first chairman, appointed by former President Truman, was the scholarly, elderly Edwin G. Nourse. He kept the CEA out of overt political activity, but never wielded a great deal of influence at the White House. His successor, Leon Keyserling, had relatively good access to President Truman, but he rubbed many people in government and Congress the wrong way, and his influence beyond the White House itself was not great.

Moreover, President Truman had a staff economist at the White House, as did President Eisenhower later, and the Council lost some of its work—and power—to him. Under Mr. Truman, Council members frequently fell out among themselves, dissipating their influence still further. The CEA staff did have considerable influence with other government agencies, however; in fact, some observers feel the staff had more influence than the members.

Under President Eisenhower, the Council chairman had more influence personally with the President, but other members and the staff faded into the background. Both of Mr. Eisenhower's chairmen—Dr. Arthur F. Burns of the National Bureau of Economic Research, and Dr. Saulnier of Columbia—tended to play their cards close to their chests. This had the effect of cutting down the impact of the agency as a whole.

Both men had handicaps, too. For one thing, President Eisenhower's first White House staff economist, Gabriel Hauge, was extremely influential. While he and the Council chairman tried to avoid overlap or conflict, this was frequently difficult. In addition, President Eisenhower was just as likely to take his economic advice from other sources—his powerful Treasury Secretaries, George M. Humphrey and Robert B. Anderson, and forceful Budget Bureau directors, Joseph M. Dodge and Maurice H. Stans.

How influence waned

In a way, the Council helped diminish its public impact. It adopted a policy of refusing to testify in public, and its members did comparatively little speech-making and writing. It concentrated its annual reports on analysis of the past performance of the economy, and refused to set goals or even look far ahead. Its role in foreign economic policy was diluted in favor of other White House specialists, and its advisory comments on legislation and other policies were advanced in a rather subdued voice in interagency meetings.

By contrast, President Kennedy has proclaimed his desire for a strong Council, and he seems to be translating that desire into reality. He abolished the job of White House staff economist, and in one of his earliest public statements after his election charted a broad role for the CEA.



FRED J. MAROON

Chairman Heller (left), Council members Gordon (center) and Tobin, returning to their offices from White House, discuss conference with President Kennedy

"I intend," he said at Palm Beach when he presented Mr. Heller to the press as his choice for chairman, "the economic reports to deal not only with the state of the economy but with our goals for economic progress."

"And I don't think we should treat the economy in narrow terms but in terms appropriate to the optimum development of the human and natural resources of this country, of our productive capacity and that of the Free World."

To do the job, President Kennedy chose three of the most respected liberal economists in the business.

Graying, 45-year-old Walter Wolfgang Heller was plucked from his post as head of the Economics Department of the Minnesota School of Business Administration. He is a long-time public finance expert, a former Treasury Department official who helped shape the income tax withholding system in World War II and the tax increase

program of the Korean war. Liberal enough to have been fiscal adviser to Orville Freeman when the latter, now Secretary of Agriculture, was governor of Minnesota, he is still acknowledged enough of an impartial expert to have done the Encyclopedia Britannica's article on taxation.

Backing up Mr. Heller are two other men almost as experienced in the executive and legislative mazes. Forty-three-year-old James Tobin

(continued on page 64)

WHAT'S HAPPENED TO SALES

Mass selling techniques are changing the salesman's role

WHAT'S HAPPENED to salesmanship?

Many consumers—and businessmen—are asking this question.

One customer has bought three compact cars of the same make within the past year. The first was bought as a family car. He later decided to put his family on a two-car basis, and finally invested in a third car for his son.

No car salesman had contacted him before his first purchase. No salesman followed up any of the purchases to try to make another sale or inquire if his friends or neighbors might be prospects. The salesman from whom he bought, in fact, seemed to show little interest in making the sales.

Consumers across the country report similar experiences as they buy automobiles, appliances, clothing, and other consumer goods. They feel that they are not being sold as enthusiastically as they once were.

Secretary of Commerce Luther H. Hodges, who has acquired a reputation as a salesman himself, underlined the problem at a press conference:

"If you really want to find out what's wrong with this country, then you ought to see how little activity we have in trying to sell.

"Just go to a hotel and try to get a room. They may

MANSHIP

have plenty of rooms, but they make you think they are doing you a favor by letting you come in. They even hide the registration cards.

"Go to a railroad and try to get some courteous treatment in buying a ticket or asking something—or even go to the airlines.

"Go anywhere where things are being sold, and you will find they are not doing a half-job in this country."

There are exceptions to this indictment, but businessmen also are concerned. In the automobile industry, for example, an inventory of more than one million cars piled up. Marketing executives of the companies say that, in view of the great number of models and styles being offered now, a one-million-car inventory is not too large in a year when six million cars are sold. Production has been cut back sharply in recent months, however, and the inventory has dropped slightly.

More than six million cars were sold in 1960, but a decline in sales this year casts serious doubt on the industry's expressed hope of selling another six million cars in 1961. Sales have begun to pick up, but the total still is running behind last year.

Current problems in selling automobiles and other consumer goods are the result of a number of factors. One of the most important is an attitude of consumer caution that was induced by an uncertain business outlook. Failure of sales to come up to

(continued on page 78)

Smart young newcomers sell conservative view

New trend? Old hands at Capitol believe these new congressmen signal swing away from federalization

LANKY, 36-year-old freshman Congressman Jim Battin of Montana strode into the ornate, high-ceilinged offices of Republican House Leader Charles Halleck one day early in the present session of Congress.

"I want you to know, sir," he said to the conservative veteran G.O.P. leader, "that I will be with you on most issues. But on other issues I won't be, because I'm just not that liberal."

Across Capitol Hill on the fourth floor of the Old House Office Building a few weeks later, 39-year-old Don Bruce of Indiana, another new member of the House, calmly dictated a letter to a labor union leader in his home district. The union chief had urged Representative Bruce to back the Kennedy Administration program to "keep America moving."

"I intend to keep America moving," dictated Mr. Bruce, "moving in the path of individual liberty and in strengthening the basic Constitutional system of government." He flatly stated that government should "drastically reduce the entire tax burden . . . and let the honest laws of economics get to working."

Warning your leader you won't always stand with him and writing your constituents that you disagree with them may seem unwise politics, particularly for new members. But Representatives Battin and Bruce don't see it that way. Like many of the 58 first-term members of the Eighty-seventh Congress, they have both independence and conservatism as part of their make-up. Not only do they have convictions, but they and many of their new colleagues have the drive and the know-how to sell their beliefs. They are helping inject new vigor into the political cause of free enterprise.

Many new members of the House in this Congress are sharply conservative in contrast to the Eighty-sixth Congress when most new members were liberal. The change is as drastic as has been seen in recent times.

Moreover, some congressional leaders not only predict that the new wave of outspoken young conservatives is the forerunner of many more young conservatives, but also consider it more representative of the philosophy of the nation as a whole than is the

welfare state doctrine that has dominated national government programs over most of the past generation.

"Many people say that resistance to radical ideas and the spendthrift schemes in government is growing; I believe this is true," Minority Leader Halleck told NATION'S BUSINESS. "Many of the new members," he said, "were running against these radicals and they pitched their whole campaigns against this philosophy."

Freshman Rep. John Rousselot, 33, is California Republican who actively promotes conservative cause

PHOTOS BY CARL PURCELL-PIX



Key Democratic conservative in the House, Rep. Howard W. Smith of Virginia, also believes conservatism is on the rise. One indication is that he was swamped by letters of praise from all over the country after a recent television program on which he spoke out for constitutional and economical government.

House Republican Policy Chairman John Byrnes of Wisconsin notes, "There has been a considerable rise in conservatism on the college level in the past several years. The conservatives in Congress could be a natural result of this, together with efforts to encourage younger people to participate in politics."

From Representative Bruce comes this analysis: "I think we have seen the beginning of a philosophical evolution based on dedication to principle. In the recent past we have been seeing government as a false idol. Our bankrupt liberalism has been portrayed as a symbol of all good things. It has tended to erode our spiritual values that are the basis of our liberty. But I think this will be changed."

Another new member, 32-year-old John Ashbrook of Ohio, reports, "The temper of the people is more conservative than you would think." He concluded this after traveling and speaking in 200 cities around the country as chairman of the Young Republicans from 1957 to 1959.

Forty of the 58 first-term members in the new Congress are Republicans; in the previous Congress, 59 of

the 78 new members were Democrats. Though most of the conservative freshmen wear the Republican label, the freshman Democrats also include articulate, self-reliant young conservatives.

One Democratic freshman, for example, was quizzed by the liberal chairman of a major congressional committee as to how he planned to vote on pending issues. At the risk of not winning a seat on this important committee, the new member refused to commit himself to vote the way the chairman wanted. He lost the committee post.

Another new young Democrat pored over the Administration's aid to education bill searching out cloudy phrases in its language that might make it unacceptable to him. He did this in spite of the fact that his state's political leaders were pressing him and other members of his congressional delegation to support the Administration bill unswervingly.

Much has been made of the youth, scholarship and vigor of Kennedy Administration officials. It has reinforced the political cliché that links youth with liberalism and age with conservatism. The increasing age of some of the conservative congressional veterans also has served to point up the freshness and enthusiasm of members of the new executive branch. This has tended to draw attention from the youth, vigor and intelligence that has come to Congress.

The seniority system in Congress makes legislative buck privates of all new (continued on page 44)

Rep. Richard Ichord, 34, is Democrat and ex-Speaker of Missouri legislature

North Carolina Democrat Rep. Horace Kornegay, 37, was prosecuting attorney

Rep. Donald C. Bruce, Indiana Republican, is ex-news commentator *Photos of more young leaders on pages 44, 51, 52*



MAKE SHELF-SITTERS AN ASSET

What to do about men who stop moving up the ladder

BUSINESS TODAY has increasing numbers of men on shelves—men temporarily or permanently stalled in their present jobs.

Some are there because of management intention. Others are there through personal choice.

In either case the shelf-sitters distort the picture of the company organization as a ladder which employees may climb rung by rung, with the presidency open to everyone. When several rungs become shelves, a number of problems arise.

These problems are complicated because shelving has not occurred through systematic effort. As one president says, "It is not a rational, well conceived device but rather one that grew up surreptitiously to meet needs."

Sound shelf administration, coordinated with a program that also has a ladder of rungs leading to advancement, is greatly needed. The policies of respecting those who stay behind and rewarding those who move ahead must be coordinated to make the best use of a firm's manpower talent.

By acknowledging the need for and presence of shelves, business can make the shelf a major administrative tool.

The first step is to identify the several kinds of corporate shelves and the characteristics of the people who occupy them. Shelf-sitters may be men who are:

► *Unsatisfied but capable.* With no present room upstairs to boost them higher, these men are in the bank for future use.

► *Unsatisfied but at ceiling of ability.* Unable to go higher, they still want to rise.

► *Satisfied but capable of rising higher.* These men

have voluntarily built a shelf on which they may rest.

► *Satisfied.* Good men in present spots who do not want to rise higher and lack the ability to do so.

Unsatisfied but capable

These men are frequently on shelves of the company's own making. Because business today requires multiple offensives to meet unexpected needs, every firm needs what the sports world calls "a strong bench."

Stockpiling of executive talent sometimes two and three layers deep is necessary to assure adequate executive succession.

This means that some men have to be held at their current level although they are capable of going higher.

The executive in this category has been judged capable of rising considerably higher. He is shelved merely to pause and reflect, to gain perspective and maturity. He is not moved completely out of the thick of things, but is placed on a shelf which has known possibilities for testing the qualities that superiors believe he has.

Such shelving may be merely for seasoning or the man may be held as a reservist. Sudden deaths and crises such as growth periods make depth of management necessary.

Besides, adequate depth makes the first string work harder.

Here shelf-insight is important. For example, one president put a promising (continued on page 94)

Dr. Eugene Emerson Jennings, the author, is a professor in the Graduate School of Business Administration at Michigan State University.



Able men, put in the bank for future use, are on a temporary shelf made by management, and likely to be unsatisfied

Men at the ceiling of their capacity may be unsatisfied on their shelf, can cause damage to the company



Satisfied men capable of rising higher may want to rest on lower shelf, must be forced to move up by management

Good men who do not want to rise above present job, and lack ability to do so, should be assured that they are needed





PHOTO BY LIEBERMAN-BLACK STAR

FORCE FOR ECONOMIC GROWTH

Richard Wagner, new president of the United States Chamber of Commerce, has a message for all Americans

ON A COOL, SUNNY MORNING early this spring, a 64-year-old man climbed briskly to the top of a granite ledge far up a barren mountain on the edge of the Anza-Borrego desert in southern California. He looked down sympathetically at a red-faced reporter, 25 years his junior, who was struggling painfully up the rocks behind him.

"We will turn back now if you wish," he said. "I didn't realize how far we had climbed."

Then he added, with a wistful look at the challenging cliff above him: "I always want to keep on going."

That offhand remark may offer a clue to the extraordinary drive which Richard Wagner has manifested during a 50-year business career which was crowned by his election as president of the Chamber of Commerce of the United States.

Mr. Wagner is a genuinely modest person, and he winces with embarrassment when anyone suggests that his life would have made good copy for the late Horatio Alger.

"People give too much credit to the poor boy who succeeds," he said recently. "If you start with nothing, you have a powerful incentive to work hard and achieve something. The fellow who deserves high praise, in my opinion, is the rich man's son who doesn't have the goad of poverty, but who still manages to do something worth while with his life."

By that criterion, Mr. Wagner does not deserve

much credit. He was amply assisted by the goad of poverty when he was young. It sent him to work, as a bank runner, when he was 14. It induced him to study shorthand at home so that he would move up to a stenographer's job in the bank at 15. It caused him to attend night classes for many years, first to get his high school diploma, and then to continue his education at Northwestern University and the American Institute of Banking.

By the time he was 30, Mr. Wagner had become an executive of his bank, and was earning \$9,500 a year, which was a lot more money then than it is now. It seems fair to assume that, at this point, the goad of poverty was no longer pricking at his back. But Dick Wagner has always wanted "to keep on going."

That, perhaps, explains why he left the comparative security of his bank position at the depth of the depression to begin a new and highly successful career as an entrepreneur. Today, Mr. Wagner is board chairman and chief executive officer of the Champlin Oil & Refining Co., one of the nation's rapidly growing integrated petroleum companies.

Although still an active manager, Mr. Wagner has made time in recent years for an increasing amount of public service. He became a director of the U. S. Chamber in 1957, and a vice president and chairman of the Policy Committee in 1960. He has served as a member of the American delegation to the Geneva conference of signatory nations to the General Agreement on Trade and Tariffs (GATT). And in June he will go to Geneva again as U. S. employer delegate to the 45th International Labor Organization conference. He also serves as a director of the American Petroleum Institute and a member of The Tax Institute. He has written a number of articles for financial publications about taxation and corporate finance, fields in which he has a special interest.

You expect to find certain personality traits in men who make it the hard way. The long struggle upward is supposed to leave them hard, aggressive, ambitious, and narrow in their interests.

Mr. Wagner is a disappointment to people who have swallowed this stereotype. He is an amiable and relaxed person, whose easy-going manner extends even to his hobbies, which he insists on enjoying rather than pursuing with ruthless perfectionism. He has a casual attitude toward material possessions which indicates that his acquisitive instinct, if it ever was sharp, has long since been satisfied. He seems to have no great hunger for fame or public recognition.

He does not look upon his vast business responsibilities as a burden, nor does he seek any sympathy for having to make high-risk decisions every day. On the contrary, it is obvious that he thoroughly enjoys his work, and that he would gladly undertake new ventures, for the sheer exhilaration of the game, even if he had to pay for the privilege.

Indeed, if Mr. Wagner ever retires, it will not be because he is tired of working, but because he wants more time to pursue his other interests, which include geology, golf, fishing, hiking, canoeing, skiing, mountain climbing, and music.

There is one respect in which the new Chamber

president does live up to popular expectations as a self-made man. He is an outspoken conservative in his political and economic views. His own experience has left him with an unshakable faith in the free enterprise system, and he is eager to defend it against what he calls "the encroachment of big government."

"People who believe in the right of free men to make their own decisions used to be called liberals," he says. "Now we're called conservatives—or even reactionaries. According to Webster, the word 'reaction' is used in medicine to mean a build-up of resistance to virus infection. I think it is time for businessmen to become reactionaries in that sense. We must become active and effective in politics and help build up a resistance to the virus of alien isms which are contrary to traditional American principles."

Mr. Wagner will hammer hard at that theme during the coming year, when he will be serving as chief spokesman for the nation's leading business organization.

He also hopes, during his tenure as president, to "overcome the false idea that the Chamber of Commerce is against everything."

"I think we should stress the positive side of our program by talking about the many things we are for," he says. "Obviously, we support every action and measure within the scope of orthodox free enterprise principles which will promote economic growth."

"The National Chamber is the major vehicle through which businessmen generally can discuss, analyze and express their views on national issues. It brings together men who not only have served as business executives but also, in many instances, in public, civic, educational and other areas in which people generally are interested. It includes men from every division of commerce and industry, men from agriculture, the professions and the sciences, all of whom contribute to the conclusions reached on matters affecting the public interest."

"While it is nonpartisan, its members are essentially conservative. They believe in the basic principles of Americanism on which this nation was founded. They believe in achieving the utmost in economic growth and strongly support those measures which, in their judgment, will promote that growth. At the same time they strongly oppose measures which they feel inhibit economic growth."

Another myth he would like to demolish is the notion that corporate profits are excessive. Actually, he says, under present tax rates, business is unable to retain enough of its earnings to finance the kind of healthy and steady expansion which is necessary to create new jobs for a growing population.

"Risk capital is the seed corn of economic growth. With our high personal income tax rates, it is no longer possible for individuals to accumulate the amount of risk capital needed. Therefore, the economy relies heavily on the use of retained corporate profits to finance necessary business expansion. But such profits as a whole have been diminishing in relation to our total economy because all of our growth in the past 10 years has (continued on page 83)

HOW'S BUSINESS?

today's outlook

AGRICULTURE

This may be another bumper crop year, despite the new feed-grain law.

Before the feed grain program passed, crop producers indicated their intentions to plant 330 million acres. This compares with 329 million in 1960 which resulted in an all-time record production.

The new program's effect in shrinking production will be at least partially offset by several factors:

1. High acreages in 1959 and record yields in 1960 for both corn and grain sorghums provide a larger production base for the higher support prices.

2. Participants may be expected to retire their poorest land to achieve maximum production on the planted acreage.

3. Farmers who did not raise corn or grain sorghums in the past two years will benefit from the higher support prices on the other feed grains—oats, barley and rye—with no acreage limitation.

4. Corn-hog producers raise corn to meet their on-farm feed requirements and are less responsive to price-incentive programs.

5. Higher support prices on a number of other crops may increase plantings substantially.

COMMUNICATIONS

The Administration is asking postal rate increases and many believe Congress will finally enact them into law.

The Kennedy proposal, similar to that in the Eisenhower budget message, is designed to raise \$741 million in new revenue. Another \$123 million will be raised through administrative increases in international mail rates, fees for special services and appropriations to cover congressionally directed rate concessions.

The \$741 million will come from one-cent increases in letter and air mail and adjustments in rates on publications and advertising circulars. The legislative and administrative increases together are designed to eliminate an anticipated postal deficit of nearly \$900 million.

Last year, while increasing postal salaries, Congress refused to increase rates to obtain compensating revenue. Faced with the mounting deficit, however, the present Congress is expected to raise rates, probably in this session.

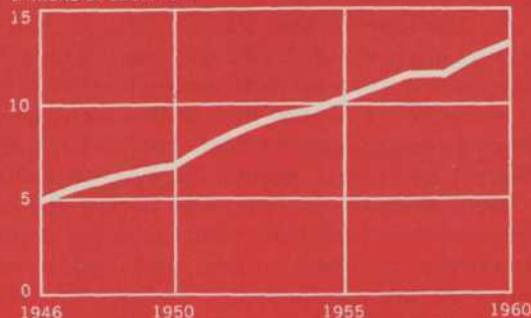
CONSTRUCTION

Multibillion-dollar housing and community development bills are now before Congress. Early action is likely in both Houses.

The most costly parts of these bills center around proposals to use federal funds in a continued effort to get rid of slums and to rebuild blighted areas of cities. The \$4.5 billion cost of the Administration recommendations on public housing and urban renewal—the two biggest federal operations—would expand programs which have not been successful.

Natural gas production hits record high

trillions of cubic feet



Source: American Gas Association

The public housing program, set up in 1937, has put up about 500,000 housing units. The urban renewal program, tracing back to 1949, has committed almost \$2 billion in federal funds. Neither has solved slum problems.

Slums arise because laws give incentives to create slums and some families are willing to live in them.

Revisions of tax laws (federal, state and local) and changes in local zoning, building and housing codes are frequently more needed than money to remove slums.

CREDIT & FINANCE

Businessmen interested in finance legislation would do well to keep an eye on congressional committees other than the banking and currency committees.

The House Committee on Veterans' Affairs, for example, handled a housing bill involving billions of dollars.

It approved legislation providing for the Secretary of the Treasury to advance "such additional sums" as the Veterans Administrator may request to finance direct home loans for World War II and Korean veterans. The amount could reach \$1.2 billion by 1966.

Another proposal, which would provide for sale of \$2.5 billion of debentures to finance direct loan operations, was not approved by the Committee. These sales would bypass regular congressional control and make Treasury management of the public debt more difficult. The

Chamber of Commerce of the United States

House went along, but the debenture proposal still could be offered in the Senate.

DISTRIBUTION

A check of 1961 sales results in 10 retail categories shows only one which improved its volume over the same period last year. Only eating and drinking places showed sales improvement during the first two months this year, according to the U. S. Department of Commerce.

People spending more money for food and drink away from home are an important by-product of general postwar prosperity and the population boom. Hence, recent business growth in this line has been tremendous. Many restaurant and cafeteria chains have more than tripled their sales volume over the past 10 years.

FOREIGN TRADE

A larger role for American business in U. S. foreign policy has been urged by Sen. Alexander Wiley of Wisconsin, senior Republican of the Senate Foreign Relations Committee. "International relations could be greatly improved if we offered to employes and management of businesses operating overseas a greater chance to serve the country," he says.

Senator Wiley points out that, operating overseas, American businesses and individuals produce goods and services for the benefit of local consumers, creating jobs, and playing a significant role in the economic life of these countries.

Rallying points for such efforts in the past have been and can continue to be the American chambers of commerce abroad—now operating in 22 countries. These organizations are ambassadors of good will and demonstrate the meaning of the free enterprise system.

A new booklet, "Activities of American Chambers of Commerce Abroad," issued by the National Chamber, points out the scope of their operations.

GOVERNMENT SPENDING

Administration spending proposals are beginning to mount up.

Expressed in terms of expenditures, the Administration already has proposed increases to the Eisen-

hower budgets for fiscal 1961 and 1962 of \$2 billion and \$3.3 billion, respectively. According to Administration estimates, deficits totaling \$2.2 billion and \$2.8 billion are likely for the respective fiscal years.

These estimated expenditures and deficits are based on cash outlays for only two fiscal years. The new budget requests carry increased new spending authority of \$5 billion in fiscal 1961 and \$5.1 billion in 1962, which would mean an actual increase in expenditures of another \$4.8 billion in 1963 or thereafter.

The Administration estimates that its massive housing program will cost \$3.2 billion, but many feel the cost will exceed \$7 billion. In addition, it would be financed almost entirely by borrowing from the Treasury (backdoor spending) rather than through normal appropriation procedures.

LABOR

Common situs secondary boycott legislation, probably the most important labor issue before the Eighty-seventh Congress, is approaching a climax.

The measure is the prime objective of the 18 building and construction trade unions in the AFL-CIO, but its path through Congress has been slowed because of disagreement between the building unions and the old CIO industrial giants.

The industrial labor units say the proposal would harm their jurisdictional claims over the installation, repair and maintenance of plant equipment.

A rumor persists in Washington that the construction unions would like to compromise.

They are said to be willing to drop demands for secondary boycott legislation if Congress would broaden the wage-fixing Davis-Bacon act. Building tradesmen want to see the cost of fringe benefits considered part of prevailing wage standards which the Secretary of Labor sets for all government construction contracts exceeding \$2,000.

This would force nonunion contractors to stop bidding on government work or to raise their bids.

NATURAL RESOURCES

The proved reserves of natural gas in the United States reached an

all-time high of 263.7 trillion cubic feet in 1960, an increase of 1.1 trillion cubic feet over 1959's reserves, according to the American Gas Association.

Discoveries of new fields and additional pools found in established fields totaled 6.6 trillion cubic feet, exceeded previously only in 1953 and 1957.

Meanwhile, natural gas production climbed from 12.4 trillion cubic feet in 1959 to a record 13 trillion in 1960. Texas and Louisiana had 68.6 per cent of both the reserves and the production.

Only a decade ago estimated proved reserves were 185.6 trillion cubic feet.

This growth has taken place despite ever increasing cost of production, regulation of prices by the Federal Power Commission, and threats to remove the percentage depletion deduction.

Canada's natural gas reserves, which will play an increasingly important part in the U. S. economy through imports, also broke a record by rising to 30.6 trillion cubic feet.

TAXATION

With little fanfare, a bill of considerable importance to business passed both Houses and has been signed by the President.

The bill was introduced by Rep. Edwin E. Willis, Democrat of Louisiana. It will open the doors for a much-needed study of the problem arising under the "Scripto case." Under this Supreme Court decision, a state may compel an out-of-state vendor to collect and remit to the state that state's use tax based on purchases made by the in-state customer. This places a heavy administrative burden on some businesses.

In September, 1959, Congress enacted a bill more clearly to define the power of states to tax income derived from interstate commerce. It also provides for a study of the income tax question; the results are to be reported by July 1, 1962.

Representative Willis' bill directs the House Judiciary and Senate Finance Committees to enlarge the study to include all matters pertaining to taxation of interstate commerce by states. Congress definitely intends the use-tax question to be included. The reporting date for the study remains the same.

CONSERVATIVES

continued from page 37

members. But in politics an attractive, persuasive and sincere figure can begin to stand out and make himself heard rather quickly—as Mr. Kennedy proved.

As for the new Republicans who make up the bulk of the freshmen conservatives, “their influence is being felt already,” according to Minority Leader Halleck. Important committee assignments and wide opportunities to be heard at policy meetings also indicate the value being placed on the new men.

Congressional Campaign Chairman William Miller of New York says, “Never before have we had a young group as personable, articulate and knowledgeable. There are lots of leaders among them.”

“It’s rather early to judge,” comments Representative Byrnes, “but, as a group, they seem outstanding

in their enthusiasm, talent, dedication, desire to participate and awareness. We have been short on public relations and had difficulties getting across our true image in the past. We believed we were right, but we can’t continue to take it for granted that everybody knows why we are right.”

This is one reason the G.O.P. Policy Committee has set up a new Subcommittee on Research to supply new fuel for conservative thinking. The committee is seeking fresh thoughts and information from academic and professional sources on the basic issues of our times.

A memorandum stating the objectives of the unit says its studies are “designed to provide a scholarly analysis of specific problem areas and ways of meeting these problems within the framework of our free enterprise society.”

Its work will help supplement G.O.P. policy formulation and may give extra ammunition to both older and new members of the party.

House Democrats are not without conservative organization and strategy. While the so-called Democratic Study Group, made up of about 70 to 80 House liberals, has developed an informal organization for concerted action and voting on liberal causes, conservative Democrats in the House also have an informal organization. An unpublicized five-man top command of conservative Democrats under Representative Smith leads southern states’ righters in legislative strategy.

The political party lineup in Congress is not nearly as important as the conservative versus liberal split. Although both Representative Smith and Representative Halleck deny that a coalition of Republicans and Democrats exists, roll-call votes have shown clearly a bipartisan opposition—formal or not—to excessive spending and welfare state legislation.

Conservative Republicans and southern Democrats now numbering nearly 200 members can be expected to vote the same way on many issues. Liberal Republicans and Democrats mainly from northern or border states or the West also number about 200. Normally about five per cent of the House is absent on roll-calls. The remaining members of the 437 total may swing from one side to the other depending on the legislation.

With such a near-even balance in the House, the new conservatives in the freshman class, both Demo-

crats and Republicans, are an important element. This is particularly true since they seem likely to emerge as an energetic sales force for the free enterprise viewpoint.

Though political philosophy can only be fully judged in the light of a history of roll-call votes, many of the new members’ election campaigns, their activities since Congress convened, and their voiced intentions have made them appear promising to conservative congressional leaders.

Here is a closer look at a few of the men—some more conservative than others—who exemplify the new young men in Congress:

JOHN ASHBROOK, lawyer and newspaper publisher, singled out as a key issue of his election campaign the freedom of the individual. “Unbridled national power with a resultant loss of individual freedom and local autonomy would weaken our efforts in the international field,” he told the voters. He said he would help guard against “state planners, the economy wreckers, the spenders and the destroyers of local government [who try to] weave a web of socialistic control over us under the guise of solving our problems by removing them from the careful scrutiny of the state and local government officials to the banks of the Potomac.”

Representative Ashbrook is the son of a Democratic congressman who served the same district for nearly 20 years. The 32-year-old Republican is an honor graduate of Harvard like many members of the Kennedy Administration. He studied under liberal Professors Arthur Schlesinger, Jr., and John Kenneth Galbraith, but was repelled by the theories they espoused.

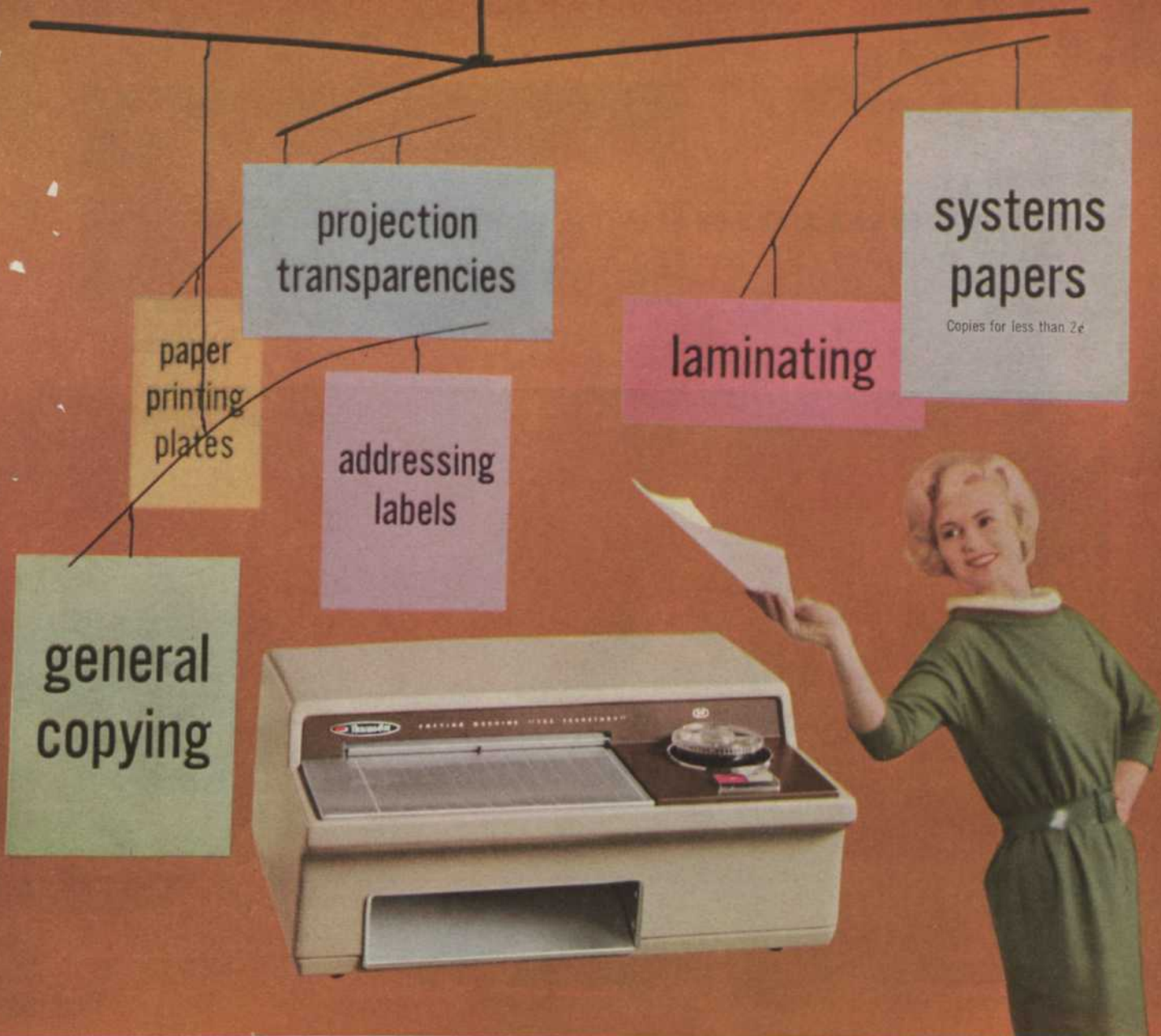
Mr. Ashbrook was graduated from Ohio State Law School in 1955. He became active in the Young Republicans organizations on the county, state and national level, heading the national organization from 1957 to 1959. He is publisher of the *Johnstown Independent*, a weekly paper.

A member of the House Education and Labor Committee, Mr. Ashbrook has taken a strongly conservative stand on all major issues. He voted against the liberal move to enlarge the House Rules Committee which was intended to dilute the power of the conservatives to delay or block heavy spending, welfare and union-backed legislation.

He also voted against the bill to
(continued on page 51)

Rep. John Ashbrook, 32, ex-Young Republican head, finds growing conservatism





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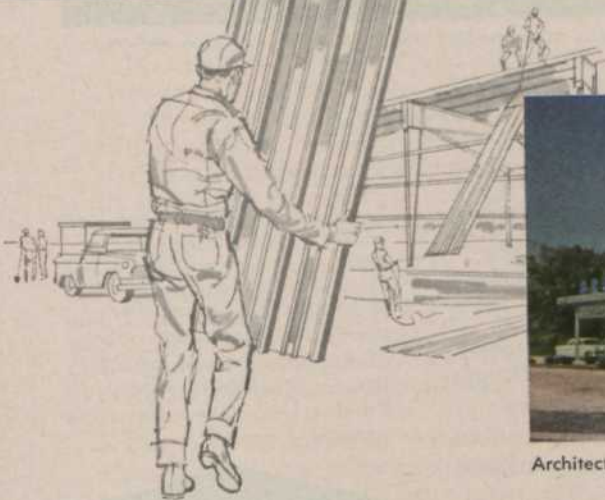
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in things to come**

CONSERVATIVES

continued

extend unemployment compensation benefits for additional weeks and supported a bipartisan move to block so-called backdoor spending, which permits federal agencies to borrow from the Treasury without the traditional review and control of the congressional appropriations committees.

JAMES F. BATTIN, the young Montana Republican, says, "Being labeled as a conservative is not a kiss of death any more. The conservative today is not against progress. He's against disorganized change."

Representative Battin believes a trend against federal intrusion is starting in the country, especially among younger people. "A young fellow some years ago could go into business on \$1,000. Today, if you have \$1,000, you have to hire a lawyer to see if you meet all the regulations. You have to hire an accountant to set up your books for tax purposes. Pretty soon you don't have anything left for inventory."

Though Representative Battin, like many of his new colleagues in Congress, grew up in the depression years, this did not make him distrust the private enterprise system.

"I seek opportunity and resent regulation. I believe I was elected not on promises, but on forwarding the philosophy of less control and more initiative," he told NATION'S BUSINESS. "I have no quarrel with liberals. My job is to convince people my position is right."

Mr. Battin is a lawyer and veteran of Navy duty in the Pacific. He has served as city attorney in Billings, Mont., was a member of the state legislature and was active in state and county civil and political affairs for 10 years before his election.

He is a member of the House Judiciary Committee and the important G. O. P. Committee on Committees, which determines Republican committee assignments.

DONALD C. BRUCE comes to Congress with 19 years experience in the broadcasting industry. He has been program director, manager of radio broadcasting companies and a news commentator. Over the past 11 years, he estimates he has made about 4,500 talks concerning national and international problems.

An Indiana Republican, Mr.

Bruce beat a liberal Democrat for the congressional seat. He serves on the Education and Labor and Un-American Activities Committees.

Years of study and evaluation of everything from the *Federalist Papers* and Adam Smith to news and publicity releases led him to his conservative convictions, he explains.

He sees the great question of our times as this: "Is the U.S. going into a collectivist state with total dependence on the government or are we to continue as a free nation, independent and responsible?"

He says that government should protect the natural rights of the individual, but that "government has become the aggressor against our rights in the guise of protecting them."

DAVID HENDERSON is one of many southern Democrats who voted against liberalizing the House Rules Committee on the crucial vote early in the session. Washington is not new to him. The Wallace, N. C., attorney was assistant general counsel of the House Labor and Education Committee in 1951 and 1952. So he is familiar with some of the fundamental issues before Congress as well as the workings of the legislative body. The former Air Force major and county judge came to Congress at the age of 39.

His assignment is the Post Office and Civil Service Committee, but his past staff experience gives him a natural interest in the breadth of problems that come before Congress.

Mr. Henderson, who knows a member must stay attuned to his district to stay in office, reports that after Congress first convened he got telegrams urging him to support the Administration and he feels there will be heavy pressure to bring money from Washington to his area.

But he feels that people will eventually cease their requests for more and more federal spending. "We can't undertake these spending proposals without the prospect of higher taxes," he says. Lately some of the same constituents who urged him to support the Administration pleaded with him to oppose the President's proposal to raise the tax on truckers.

Like most Democrats, Representative Henderson will be under some obligation to support the Democratic Administration. On some legislation he will undoubtedly go along, but not before he has examined in detail each proposal to

make sure it doesn't conflict with his and his constituents' fundamental beliefs.

RICHARD H. ICHORD, 34, is another new Democrat who typifies the independent-thinking and high qualifications of this year's Congressional freshmen.

The youngest man ever to serve as Speaker of the House in the Missouri legislature, Representative Ichord has almost a decade of legislative experience on the state level.

"No specific political philosophy fits all cases," he believes. He feels he is not a Jeffersonian Democrat because "this is no longer the agrarian society that influenced Jefferson's thinking, but an urban society." But he believes the federal government has gone too far in some fields.

"I'm a little jealous of the powers of the state government," he told NATION'S BUSINESS. "All our

Democratic Rep. David Henderson is former Air Force major and judge



CONSERVATIVES

continued

federal programs should be set up to assure that local government has a part in the workings of the program. Money from the federal government isn't money that just comes from heaven, as some seem to think."

A brilliant student, he was graduated from the University of Missouri School of Business and Public Administration with a degree in accounting in 1949. He taught courses in business law and accounting while attending law school and after graduation returned to Houston, Mo., to practice law.

He served on what was known in Missouri as the "Little Hoover Commission," a body that recommended efficiencies and economies in state government as the Hoover Commission did on the federal level.

Coming from a lead mining district with high unemployment, Mr.

Ichord is particularly concerned with this problem. He believes, however, that "the answer is retraining, not putting people on the relief rolls. It is too easy to create a philosophy in people that the government will take care of them."

Mr. Ichord, however, does not feel that the Administration proposal for adopting a medical care program for the aged under the social security system is socialized medicine as do many of his colleagues.

But with this issue, as with others, he indicates he will study all factors and decide for himself.

He is on both the Interior and Post Office and Civil Service Committees.

HORACE R. KORNEGAY, 37-year-old former prosecuting attorney from Greensboro, N. C. is another Democratic freshman. He, too, refuses to be labeled as conservative or liberal. But he describes himself basically as a Jeffersonian Democrat.

"I don't believe that government should compete with business," he says, "but with our role in the world today, the federal government has to be big, and there are activities that the private citizen can't undertake himself."

He also believes that we should not overspend our income. He says the federal government should not "step in and regulate the crossroads store," as has been the potential threat under the broadened coverage of some proposed minimum wage extension bills.

Mr. Kornegay favors a temporary federal school construction bill, but he opposes any federal action or legislation that encourages pirating of industries from North Carolina. He opposes the concept as well as the threat that the Area Redevelopment bill might attract some of his state's industry elsewhere. This bill provides loans and grants for establishing industry in labor surplus sections.

Mr. Kornegay is on the Veterans' Affairs Committee.

JOHN H. ROUSSELOT, one of the new Republicans, represents former Vice President Richard Nixon's old congressional district.

Like some of his fellow Republicans, he won over a liberal Democrat in a campaign that focused on the fundamental issues of conservatism versus liberalism.

Though he is only 33, Mr. Rousselot's apparent leadership qualities made him the choice of the other

first-term Republicans as their acting chairman on party matters.

He received a degree in political science and business administration from Principia College in Illinois in 1949.

He has been in public relations work on the corporate level and was president of John H. Rousselot & Associates, public relations consultants, from 1955 to 1958.

He, too, is no stranger to Washington. He was director of public information for the Federal Housing Administration from 1958 to 1960. In California he had broad experience in Los Angeles County Republican politics and in campaign political organization and publicity work.

Mr. Rousselot was a member of the Republican State Central Committee in California.

He was vice president of the Los Angeles County Young Republicans and a past president of the Young Republicans of California.

"It used to disturb me in school," Mr. Rousselot told NATION'S BUSINESS, "that the New Deal was pictured as all virtue. I read and read to find the holes in this façade. I couldn't believe that it was right to discourage creative initiative and to abandon faith in the individual to do for himself."

Mr. Rousselot campaigned hard against federal intervention in the citizens' lives and against centralized government and its cost to taxpayers.

He broke down every issue where possible to show just what the citizens in his district would pay for any new federal program.

He believes the ultimate choice for the nation is constitutional government or socialism.

The conservative "has to explain in simple, clear terms what is involved and why he is right," he says.

The assumption that conservatives must come up with constructive alternatives to any program proposed by liberals can be misunderstood, he points out.

"The alternative may be no legislation. For example, my positive alternative for federal money for school construction is free, locally controlled education.

"Our philosophy is harder to sell, but when unions or other groups attack us, we'll ask to speak before them. I think people are becoming fed up with big, centralized government. This will make the conservative philosophy easier to sell and we will sell it anywhere any time."

END

Republican Rep. James F. Battin of Montana wants less federal control





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ECONOMIC GROWTH is now a common term in American politics.

It is assumed to be automatically good and thus worthy of encouragement, especially since statistics frequently cited seem to demonstrate that Russia is growing much faster than the United States.

This has led to a variety of ideas for speeding growth. Among them: tax cuts, increased minimum wages, more liberal retirement and unemployment benefits, shorter work weeks, stepped-up public works programs, more government subsidies.

In the heat of the argument over what to do, we have tended to ignore a vital question:

Just what is growth?

The most common answer is to quote the gross national product—the total goods and services produced in a given year. The GNP statistics suggest where we have been or where we are going but, as measures of growth, they leave something to be desired. In terms of GNP, 1960 was a record year, the first in which our economy passed the \$500 billion mark. Yet, 1960 was not a good growth year.

Where, then, do we look to find what growth is and how it can be sustained?

Economic growth for a state, region or nation is the sum total of the progress in each of its communities. Federal and state governments can encourage growth, but the real effort has to be made and the impact measured at the community level.

Economic growth begins in your home, in your street, in your neighborhood, in your town. Progress is measured in terms of stability of employment, rising average income levels, increasing property values, improved community services, better schools, well supported churches and civic organizations, and community pride.

A community's failure to grow is reflected in sharply increasing taxes, falling property values, deterioration of community facilities and services, rising unemployment and a flight of population, particularly among the young people who take with them much of the community's future.

Economic growth exists when people of a nation, region or community are in a continuing process of producing and consuming more real goods. This process always requires the presence of two conditions:

► A rising standard of living, which

is not only ability to have more, but desire to have more as well.

► Increasing productivity of both labor and capital to provide more goods, and at relatively little increase in cost.

Two by-products of this process contribute to economic growth:

► Growth in service industries—transportation, merchandising, recreation, the professions, community facilities—created by the growing production-consumption pattern.

► Availability of more leisure time, a direct product of a rising standard of living and increasing productivity.

Economic growth also is sustained by:

► Technological progress and innovation, which creates new products and new services to whet the appetites of consumers, simultaneously providing additional employment to produce those products and services.

► An adequate flow of capital to underwrite plant, equipment and service facilities.

► Sound fiscal management at all levels of government.

► A willingness to grow—the recognition that there is no such thing as

a status quo, no turning back. Population increases alone do not guarantee economic growth. However, when increasing population is combined with rising productivity and higher living standards, the potential for economic growth becomes dramatic.

A mere increase in total dollars of gross national product is not growth unless accompanied by proportionate increases in the production and consumption of real goods. Inflation, which occurs when the dollar buys less goods or services, is a net detractor from growth.

All this suggests the tasks required of various levels of public responsibility in the economic growth process.

The community level

Any person who takes an active and constructive part in civic affairs is contributing to the economic well-being of his community.

Sound management of public affairs depends upon good government, and government is only as good as people want it to be and are willing to make it.

A good school system to insure adequate education of young people is an investment in future economic growth.

Community services and facilities (good streets, adequate sewer and water supply, libraries, parks and playgrounds) are investments in a community's future.

New industry, seeking location, places a high premium on a community as a good place for its employees to live.

Intelligent and reasonable zoning laws are a prerequisite for attracting new industry. A program for zoning and developing industrial sites is a must. Most small manufacturing companies go into established industrial areas.

Local organizations, particularly chambers of commerce, perform a valuable service in improving and in advertising a community's assets for growth and as a place to live.

An essential, anywhere, is to start with what the community has. The soundest growth is healthy expansion and diversification of existing business and industry. Attraction of new industry is an important stimulant and an objective to be pro-



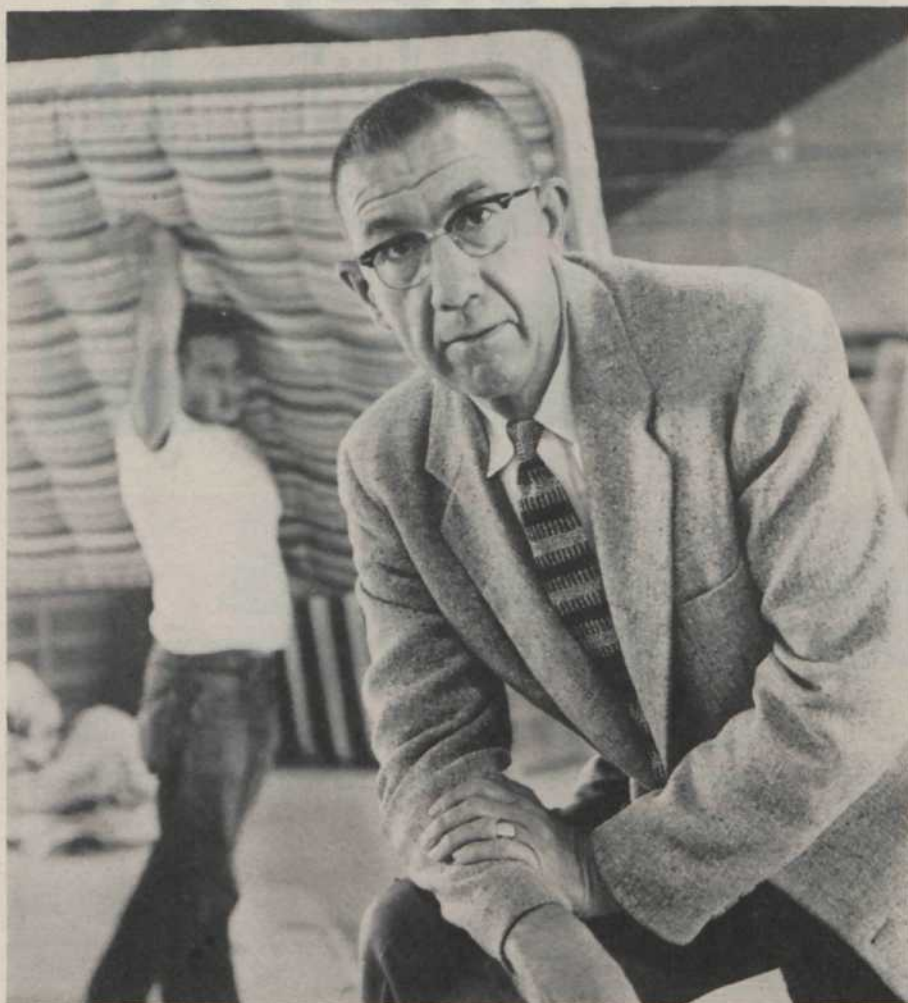
MEASURE OF GROWTH

Compare your community's record on these points with previous years, or with other similar communities:

- ☐ Bank transactions per capita
- ☐ Retail trade per capita
- ☐ Number of new businesses and business failures
- ☐ Size and number of savings accounts
- ☐ Amount of traffic originated locally
- ☐ Ability to keep school teachers
- ☐ Membership enthusiasm, and effectiveness of local chambers of commerce and service clubs
- ☐ Church membership and finances
- ☐ Number unemployed—and why
- ☐ Volume of employment and average wage
- ☐ Quality of accommodations for overnight guests
- ☐ Quality and use made of recreational facilities

If your community scores high, it is growing even if there is no large gain in population

Guthrie Mattress Co., Phoenix, Ariz., manufactures a quality line of mattresses and box springs. This company has provided for the security of its employees and their dependents through a New York Life Employee Protection Plan, and the extra service of Nyl-A-Plan.



"After three years, we do not see how we got along without it!"...

SAYS T. BERNARD GUTHRIE, President of Guthrie Mattress Co., about his company's New York Life Employee Protection Plan. "Several of our employees have had to use our plan; they don't know what they would have done without it. Our Nyl-A-Plan is also a really wonderful addition to our program. What's more, we are all very pleased with the excellent job our New York Life Agent has done in installing and servicing our programs."

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HELP AMERICA GROW

continued

moted intelligently, for new industry tends to bring balance into a community's economic base. But this phase of growth should not be emphasized to the exclusion of promoting existing business.

Programs should be geared to a community's potential. To try the impossible is to court discouragement, and discouragement breeds failure.

A community should take stock of its transportation assets, the availability and variety of labor, its location with respect to major market areas, and power and water resources before it decides what type of industry to woo.

Community efforts must be constant, not spasmodic. When one looks back 10 years, things seem to have happened rapidly; when one looks ahead, progress sometimes seems slow in coming.

Private industry is important. Many significant contributions to economic growth come from the efforts—individual and combined—of private business and industry. Private money has banded together in many areas to form industrial credit and development corporations designed to meet intermediate credit requirements for expansion of plant and equipment.

Banks and utility companies have economic and industrial development departments, staffed by specialists. So do railroads and airlines. In many communities unions and management have united in this effort. Every citizen benefits in the better education of his children, a declining crime rate, the security of his job or his business, the appreciating value of his property, his pride in his community and the pleasure of living there.

The state level

Sound management of fiscal affairs is of major importance at the state level, particularly because state expenditures and revenue requirements are growing twice as fast as federal expenditures and revenue requirements.

State taxes can deter business and industrial growth. New industry stays away from states in which the public debt is poorly managed. Such a situation almost always guarantees that business will be called upon to pay a disproportionate share of state tax revenues.

The business climate of a state is measured perhaps more in terms of

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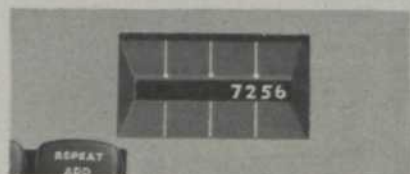
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THIS IS PRACTIMATION: automation so hand-in-hand with practicality there can be no other word for it.

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HELP AMERICA GROW

continued

the attitude of a state administration and legislature toward business than any other factor. Labor and farm lobbies must recognize that they have a direct stake in business growth. Unfortunately, the business community sometimes is not as well organized for political purposes as agriculture and labor. Segments of business may work at cross-purposes, failing to realize that what hurts one business may hurt all.

The national level

The basic requirement here is the creation of a national objective, of pride in national well-being, of the need to do things at home and abroad to encourage growth. This is the product of leadership, not only from government, but from great corporations, and from public service organizations.

National government can encourage healthy growth and development through sound management of fiscal programs to counteract inflation and to smooth out excessive peaks and valleys in the business cycle.

Adequate capital flow—a basic requirement for economic growth—is managed by the Federal Reserve system, operating in cooperation with the banks of the country.

Taxes at the federal level are most important, because they dominate the total tax structure. Conceivably, as the economy grows, the federal government can continue to meet the demands of increased spending and still reduce taxes. Unfortunately, political considerations often preclude tax changes that would result in the greater availability of risk capital required for new business expansion.

Government can lead and co-operate, but cannot, through public spending alone, meet growth needs. Jobs require employers. A soundly managed program for meeting unemployment, and for cushioning the community against economic upheaval, requires enough varied employers to hire the people who pay the bills for government services.

Those concerned with growth programs thus should keep their eyes on the twin objectives of expanding existing industry and attracting new industry. Only these objectives can expand the production-consumption pattern which produces economic growth.

—H. DEWAYNE KREAGER

Consulting industrial economist

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\$5.00 per square
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*Approximate figures, depending on site conditions and local costs

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NATION'S BUSINESS EDITORS REPORT ON: State tax boost

YOUR STATE and local tax bills will climb more sharply.

Increases will come both in what you pay as an individual and in what your business pays.

Level is headed higher because demand for state and local services is trending up. This stems from rapid population growth, increasing size of cities, mounting traffic load.

To meet the need state and local governments must find new revenue sources. Economic growth can produce much, but not all, of what is needed.

* * *

HERE'S OUTLOOK--by key taxes--in states and communities:

Property tax--it's workhorse, biggest revenue producer; some tax authorities feel it still has untapped capacity, particularly where rates are under two per cent of market values.

General sales taxes--source of nearly one quarter of all state and local revenues; used in 35 states; higher rates likely in many areas.

Motor fuel tax--most productive of selective commodity taxes; likely to be expanded.

State income taxes--collections rose from \$1.3 billion in 1950 to \$3.4 billion last year; local collections running at \$250 million level; 32 states tax individual incomes, more expected to turn to them. Higher rates are probable, too.

Corporation income taxes--levied in 36 states; tax experts look for more states to adopt corporate tax, or raise rates. Corporations pay local income tax in five states; this also is expected to spread.

* * *

STATE AND LOCAL governments raised \$35 billion in taxes in 1960.

That was boost from \$33 billion in 1959. By 1970, assuming price

SPECIAL LETTER: STATE TAX BOOST

stability, the tax take at present rates is expected to exceed \$55 billion.

Spending is rising even faster.

In 1960 state and local spending--mostly for goods and services--topped \$47 billion compared with \$15 billion in 1948, \$7 billion in 1929 (all in current prices).

Total may reach \$51 billion this year--\$75 billion by 1970, to be covered by states' own revenues, borrowing, and federal grants.

Because of income-spending gap about a dozen states now face deficits and their legislatures are searching for additional revenue sources.

Many cities are running short, too; some because revenues were overestimated during recent business slump.

* * *

EDUCATION, HIGHWAYS account for half of total direct expenditure by state and local governments. More than four fifths of the educational outlays are made by communities, almost two thirds of highway expenditures by states.

Could you name state which spends most on per capita basis?

Answer: Wyoming. Its per capita expenditure--\$426.65, including local spending.

State which spends least per capita is South Carolina (\$173.40).

National average: \$277.19.

* * *

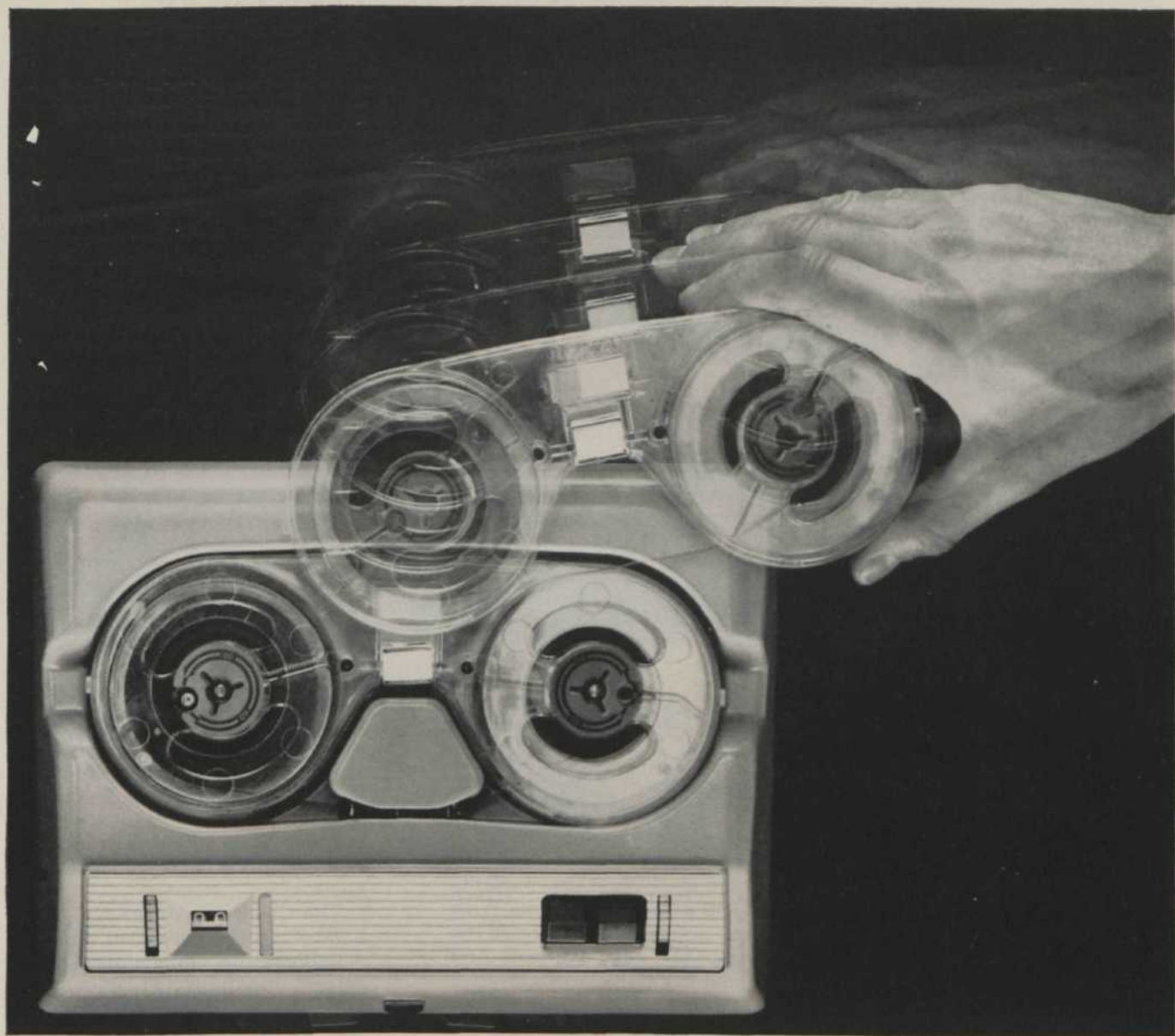
TO GET PERSPECTIVE on economic importance of state and local governments, consider their role as employers.

Together they employ more than 5 million full-time civilian workers. That's one of every 12 workers in nation.

That makes state, local governments bigger employer than federal government (2.4 million civilian employes), gives them work force almost one third as large as total in all manufacturing.

* * *

REPORT to be published this month by Census Bureau will give details on state spending for fiscal 1960.



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YOUR FUTURE

continued from page 33

was an Office of Price Administration economist in World War II, went on to become a Yale expert in monetary theory and consumer buying patterns. He is almost universally acknowledged one of the most brilliant economists in the country today.

Full-faced, balding, 44-year-old Kermit Gordon is a Rhodes scholar who also served in OPA and then became a State Department expert on foreign economic policy before going to the Williams College faculty. He was a Ford Foundation adviser on economic development just before coming to the Council.

All three CEA members consider themselves moderate liberals. They concede that they favor more government activity in a number of specific fields, and are quite prepared to use government power wherever needed to solve what they regard as national economic problems. But they are not doctrinaire New Dealers. For example, Mr. Heller himself favors abolishing the interest-rate ceiling on long-term government bonds, a ceiling considered sacred by most New Deal liberals, and he worries about too generous wage increases in negotiations between labor and management.

The Council members are, to use a label much abused in the new Administration, pragmatists. Their general orientations are unquestionably in the liberal direction, but they do not insist on crossing every "t" or dotting every "i" of a particular economic theory. They are ready to bend and modify economic philosophy to the political or legislative realities. Persuasive and dedicated, however, they are particularly adept at arguing other agencies around to their point of view.

When Mr. Heller told the President-elect whom he wanted as fellow councilmen, Mr. Kennedy personally took a hand in persuading Messrs. Tobin and Gordon to come. All three—and particularly Mr. Heller—now have frequent contact with the President and with White House staff members. In fact, President Kennedy and his Council members seem to have a mutual admiration society; the Council's work on the early economic messages raised the members in the President's esteem, and his quick grasp of complicated economic matters endeared him to the Council.

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YOUR FUTURE

continued

ity," notes Mr. Heller, "our role depends on the President's attitude and the size and competence of our staff. The President wants us to be in on as much as possible, and we hope to build the staff to do what he wants."

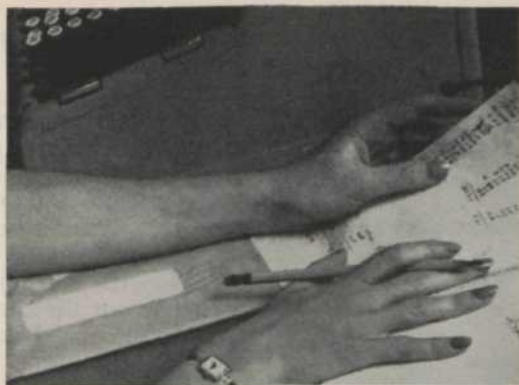
The Council members have a rough division among themselves of the main areas of economic activity. Mr. Heller has over-all supervision of the staff work, and is the specialist on tax and budget matters, education, health, social security and other welfare programs. Mr. Tobin is the expert on money and banking, debt management, international finance, economic forecasting. Mr. Gordon takes special responsibility for manpower, wage-price relations, housing, natural resources, and foreign aid.

One of Mr. Heller's major projects right now is to build the Council's staff. Long an affable, personable mixer in academic and government groups, he has a wide circle of friends and acquaintances in economic posts around the world, and he is calling on them now. He expects to build the pre-Kennedy 12-man professional staff to 18 or 19—a 50 per cent increase—plus a number of part-time consultants.

Robert Solow, an economist from the Massachusetts Institute of Technology, has agreed to serve a one-year tour to make statistical analyses of the best policies for economic growth—suggesting from involved mathematical study of the past just how much private and how much public spending produces the best growth rate. Arthur Okun, a young Yale economist, is a several-days-a-week consultant now, and will start full-time this summer for 14 months, to attempt to develop more precise methods of forecasting short-term business trends.

Richard Nelson of the Rand Corp. is on a two-year hitch to study the impact of inventions and technological change on the economy. LeRoy Wehrle, a former Yale economist most recently working for the International Cooperation Administration in Laos, will join the staff shortly to work on international monetary problems.

Robert Triffin, Yale economist who is among the country's leading academic experts on the balance of payments problem, is on a several-days-a-week consulting basis. M.I.T. Professor Paul Samuelson, a long-time Kennedy economic adviser



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YOUR FUTURE

continued

and the head of his preinauguration antirecession task force, is on call for general advice as Mr. Heller requires it; Mr. Samuelson was one of the men who recommended Mr. Heller for his job.

Mr. Heller has persuaded another old friend, Joseph Pechman, to be a consultant to serve as liaison between the Council and the Treasury Department on tax reform plans. Mr. Pechman, who did graduate work with Mr. Heller at the University of Wisconsin and served on the Treasury tax staff with him later, was more recently on the research staff of the Committee for Economic Development and now heads a long-term tax study project of the Brookings Institution.

But still there are not enough men to go around. "We wanted them to work with us on the farm message, the highway program, the textile industry study," one White House aide recalls. "But Walt just didn't have anyone to spare. Everyone was working full-time on other equally important problems."

The Heller-Tobin-Gordon team is already showing far more preoccupation than did previous Councils with policies to achieve more rapid economic growth. Dr. Saulnier especially was preoccupied chiefly with combating inflation—as was President Eisenhower himself. The new team would like to avoid inflation, but seems perfectly ready to accept a little if it's the price of stimulating a strong economic expansion.

Mr. Heller and his colleagues feel that various government agencies have concerned themselves in the past with pieces of the growth question, and that no one agency has attempted a systematic, over-all attack. They expect to study in depth in the coming months just what the government can do to step up economic expansion—how much to aid education, how much to invest in research and development, how much to attempt to juggle interest rates, and the like.

In most of these matters, the CEA members generally see eye-to-eye, though perhaps differing on a few specifics. They believe in high government spending, large deficits, and low interest rates to combat a recession. Once the economy turns up, they would keep interest rates low to encourage continued expansion, but seek to maintain a large budget surplus to combat inflation and to provide funds for continued

heavy spending on defense, education, research and other expanding programs.

The elaboration of economic goals in the annual economic report is a key part of this general approach. The CEA has already done this for the current year in testimony to the Senate-House Economic Committee in early March, setting forth the Council's idea of the desirable rise in gross national product and employment.

Mr. Heller and his team believe that the mere establishment of the goals builds pressure for policies to achieve them. President Kennedy shares this view. He personally ordered Mr. Heller to take the tack he did in the congressional testimony. By saying what the economy is capable of, the argument goes, the Council in effect puts the Administration and Congress on the spot to achieve this potential.

Due to Mr. Heller's own renown in the field, the Council is likely to have considerable voice in long-range tax reforms. He has testified extensively on the subject before congressional committees and in general finds himself almost completely in accord with the two other Administration men most directly involved in tax policy-making: Assistant Secretary of the Treasury Stanley Surrey and Internal Revenue Commissioner Mortimer Caplin.

Their general approach is to "broaden the base and lower the rates"—to tax many types of income now tax-free and to tax at higher rates many types of income now given special low rates, but at the same time to lower individual rates across the board from the present 20 per cent to 91 per cent range to a range of perhaps 18 per cent to 60 per cent or 65 per cent. Corporate taxes would also be shaved.

At one time or another, Mr. Heller has urged lower percentage depletion allowances for most minerals and tougher tax treatment of development and drilling expenses; higher tax rates on capital gains, a longer holding period than the present six months, and treatment as ordinary income for many types of income now getting the special low capital gains rates; repeal of the tax credit on dividend income; less tax advantage for married couples; tougher taxes on mutual savings banks and building and loan institutions; far tighter definitions of deductible business expenses; higher taxes on stock option profits; and even an end to the deduction for interest payments and state and local



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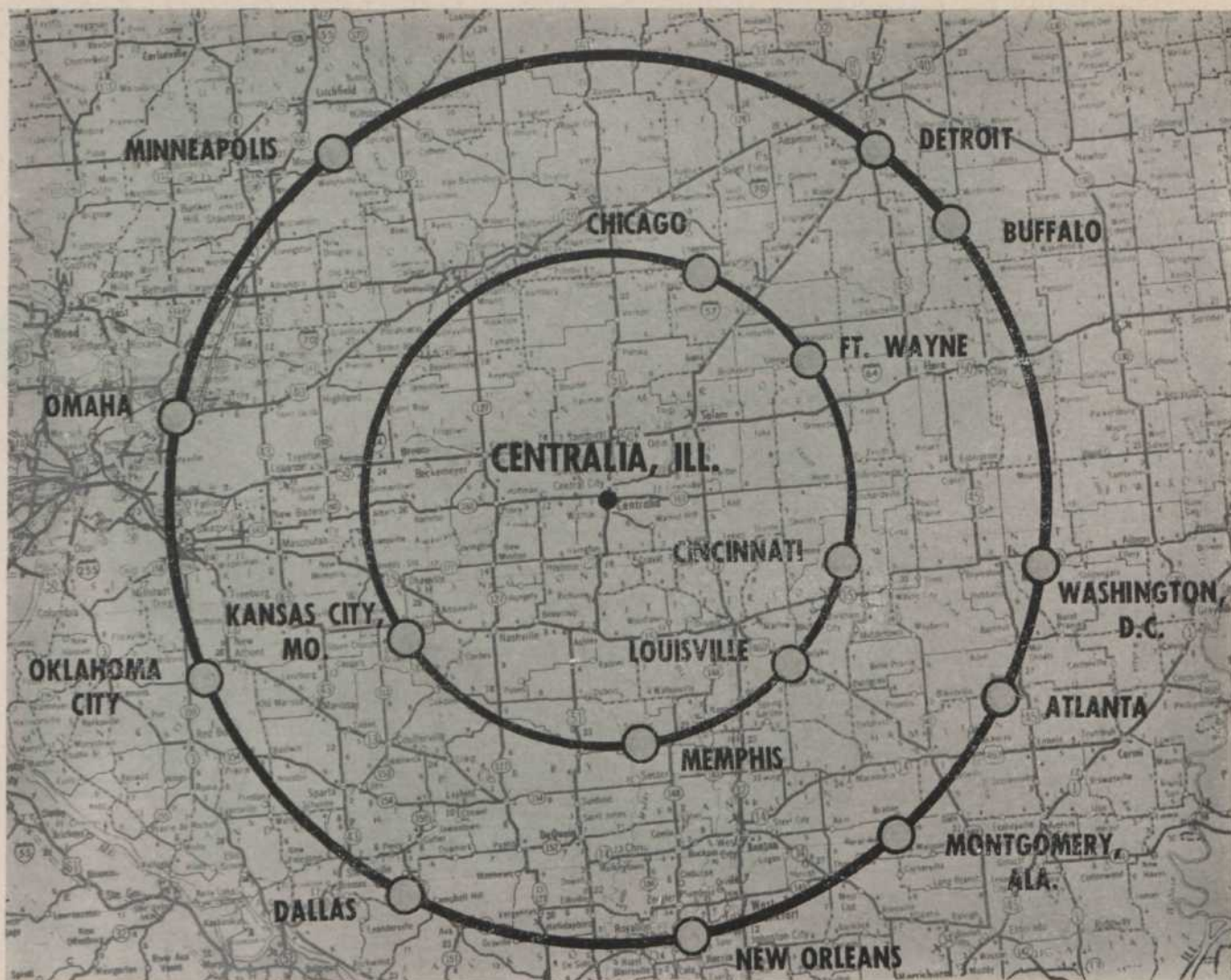
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THE WHEELS THAT GO EVERYWHERE



YOUR FUTURE

continued

property and sales taxes. He would be the first to concede that many of these cannot be put through Congress, however desirable he might think them.

Mr. Heller in the past was also a strong proponent of having stand-by tax-cut and tax-increase plans on the books, to permit swift application to combat recession or inflation. He argues that Congress should agree on such changes in a mood of calm deliberation, when no crisis is imminent, and then provide some simple method of putting the tax changes into effect easily by simple congressional resolution or executive action when an emergency develops. He's inclined to think now that this, too, is not politically practical.

The Council is also certain to get more and more deeply into the foreign economic picture. This is partly because foreign trade, gold flow, balance of payments and allied problems are more critical now than a few years ago, and partly because the present Council members happen to be more deeply interested in them.

Perhaps one of the greatest changes will be the Council's efforts to build public support for the Administration's policies—to carry on, as Mr. Heller puts it, "a more active role in the informational and educational field."

"The Council," he declared in his recent testimony to the Joint Economic Committee, "has a responsibility to explain to the Congress and to the public the general economic strategy of the President's program, especially as it relates to the objectives of the Employment Act. This is the same kind of responsibility that other executive agencies assume in regard to programs in their jurisdiction."

When Messrs. Heller, Tobin and Gordon appeared before the Economic Committee, it was the third time in the Council's history and the first time since the Truman Administration that its members had testified publicly on broad economic policy. They plan to testify whenever they're asked. They also plan to write economic articles in popular magazines and speak at non-political meetings.

Thus the public can expect to hear more from this hard-working team and see more evidence of its mounting influence in the coming months.—CHARLES B. SEIB

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Federal Reserve policies

Your banker will be under a new kind of pressure in the shape of monetary policies designed specifically to control his lending decisions. He will be forced to dispense his available funds more selectively and consciously than in the past.

Until the recent shift in policies, monetary authorities have been mainly occupied with the effects of their actions on interest rates and borrowers across the board. Their primary goal has been to control credit by making money more or less expensive. Higher interest rates

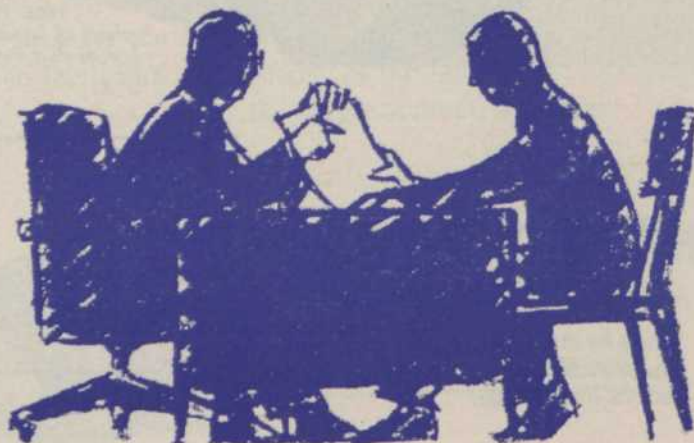
presumably discourage marginal borrowers, thus shrinking the volume of credit; lower rates are supposed to encourage more volume.

Now, the Federal Reserve system is attempting more direct control on lenders themselves.

Other government agencies such as the Federal Housing Administration are putting pressure on mortgage lenders, and more pressure of this type may develop in the months ahead.

President Kennedy wants long-term interest rates low to spur the economy, particularly in the housing field. Yet, he and his advisers recognize the need to keep short-term interest rates firm to discourage the flow of funds overseas to get a higher return. This would

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on time, early
if possible



worsen this country's balance of payments problem.

The Federal Reserve Board is attempting to accomplish these objectives by nudging long-term interest rates down and refraining from similar action in the short-term field. William McChesney Martin Jr., FRB chairman, says: "The problem is to lean against cross-winds—simultaneously. I do not know how effectively this can be done. I do know, however, that it will not be easy."

In the background of the current effort is the belief of many monetary authorities that more direct control on specific types of lenders is necessary. The FRB could accomplish this by discouraging lending in fields where excessive expansion is judged to threaten economic stability, and easing lending where expansion is desired or bottlenecks seem to threaten.

Influence on interest rates

A key objective of the new credit control system is interest rate stabilization.

Supporters of the new approach believe that the money market of the 1960's is one in which interest rates will be reflected throughout the credit structure. They contend

that the psychological effect of slight but strategic pressures on interest rates will be enough to regulate credit availability.

A leading spokesman for this position is Robert V. Roosa, number three man in the Treasury and an influential member of the new Administration's team of money and debt managers. He believes the money market is "highly susceptible to slight changes in interest rates" and that the FRB's actions influence the disposition as well as the ability of lenders to make loans.

Interest rate stability can be a mixed blessing when you want to borrow working capital for a short or medium term. Although it means a lessening of uncertainty about future rates, it can also make money more difficult to obtain.

As a general rule, the bond market will be extremely stable under the new plan. Borrowing costs will be lower on private bond issues, as well as those of all levels of government. This would tend to encourage long-term capital investments.

One warning note is sounded by Mr. Martin: "There is still a question as to the possibility of bringing about a meaningful decline in long-term interest rates . . . without at the same time causing a shift in

market demand toward short-term securities."

Growth of term lending

Term lending—long-term loans to business—has grown dramatically in the past few years, although it is mostly concentrated in the large financial centers. This will make for problems as well as new opportunities for borrowers.

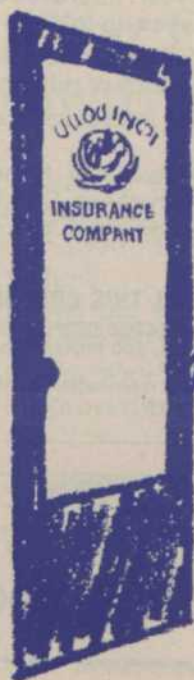
In such areas as New York City, where the growth has been most rapid and the term-lending volume is actually larger than that of short term, bankers will eye further term lending carefully. Furthermore, where term loans soak up a significant part of the lenders' available funds, short-term lending suffers as a result.

In cities where term lending is in its infancy the prospects are brighter for increased availability of term loans. You can tap this developing long-term loan market in four ways:

1. Ordinary term loans—straight business loans of more than one year, repayable in a lump sum or in installments.

2. Revolving credit or stand-by agreements which are short-term business loans, typically 90-day notes renewable at maturity. Such loans generally stay on the books

Watch local trends, general credit picture



Seek new or alternative sources of loans

Save up to 50% in "Coffee Break" Time

YOUR CREDIT

continued

for two years or even longer. In this way you can actually obtain long-term credit in the guise of conventional short-term borrowing.

3. Continuously renewed short-term loans—short-term business loans routinely renewed whenever they mature. This type of loan resembles the revolving credit loan except that it requires no formal agreement.

4. Business loans secured by real estate—one technique for obtaining loans of long-term maturity specifically designed to satisfy a firm's need for funds for capital expenditures or permanent working capital.

Demand for investment funds

Demand for business loans has been depressed in recent months, but most forecasters predict a record recovery of new investment demand for both domestic and foreign projects.

Andrew N. Overby, vice president and director of The First Boston Corporation, says that vast opportunities, already beginning to be tapped by American business, exist in the less developed countries.

American investment bankers have been playing a strategic role in bringing American industrialists together with industrialists and entrepreneurs in these less developed countries, he reports. The bankers have acted as financial advisers and have secured U. S. long-term loans for these undertakings.

The combination of increases in both domestic and foreign demand may place severe pressures on credit availability. The competition of accelerated government spending programs will be added to these money market pressures. This demand will further increase the difficulties of borrowers who depend upon existing credit sources for their needs.

Boom in consumer credit

A resumption of the rise in consumer credit will put new demands on lenders. Perhaps the severest test of new credit control methods will come in this sector of the money market where credit demand derives directly from sales of consumer goods.

Monetary authorities may use their broadened techniques to control any burgeoning of consumer credit accompanying the anticipated powerful recovery in retail sales, particularly of consumer durables.

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YOUR CREDIT

continued

well as credit-dependent merchandisers may find that credit rationing will cause them considerable difficulty as the boom develops, unless they take advance measures to maintain their credit sources.

How to improve your credit

There are several things you can do to improve your chances of obtaining credit. As the coming boom develops, lenders will not find it as easy to accommodate old customers, let alone take on new ones. As a result, they will show preference to customers who have taken steps to keep their credit lines open.

It will pay you to examine and assess critically the working relationship you have established with your banker or other sources of credit. Have you taken him into your confidence? Does he understand your firm's problems and aspirations? Have you used his special management abilities, available to you free of charge? (See "Management Can Be Your Most Valuable Collateral," NATION'S BUSINESS, March 1958.)

Make every effort to meet your financial obligations and improve your credit rating. Pay notes on time, a little early if possible. Continue to use your credit lines.

Seek out and cultivate alternative sources of money. Recent research shows that small firms have sometimes been lax in seeking out sources of long-term loans. You may want to consider using nonbank lenders.

One large insurance company, for example, reports that it has made special efforts to serve small and moderate-sized businesses without real property collateral.

One step which may reap dividends is to study your local money market conditions and contrast them with the general credit picture. You may find it useful to study the Federal Reserve debit statistics, which measure the extent to which businesses use their funds deposited in the commercial banks. These statistics are among the few types of financial data available for analyzing local business developments and credit demand in a large number of individual cities throughout the country.

They are especially useful because they are available on a weekly, as well as monthly, basis. Your Federal Reserve Bank supplies them for the asking.—HAROLD WOLOZIN



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SALESMANSHIP

continued from page 35

expectations, however, is causing businessmen to take a closer look at salesmanship at the retail level. Is the salesman at fault for not pursuing the customer as aggressively as he did before World War II, or is the salesman a victim of changing marketing methods?

Three major factors stand out:

A revolution in marketing has placed increasing emphasis on preselling the consumer through mass advertising which by-passes the salesman and makes his role less important.

Today's better informed, more sophisticated buyer rejects the old-fashioned hard sell, forcing the salesman to use subtler techniques of persuasion.

The quality of salesmanship, across the board, has not kept pace with improvements in other aspects of marketing.

Marketing revolution

"The retail salesman today is doing a different job than he did in prewar days," Stewart H. Rewoldt, professor of marketing at the University of Michigan, points out. "The manufacturer is much less dependent now on the retailer to stimulate a demand for his products.

"Greater use of mass advertising, backed up by marketing research, has resulted in more and more preselling, persuading the consumer to buy before he even goes to the store. In a broad sense, the retailer has become simply a depository of goods, performing the prosaic function of maintaining an inventory, arranging credit, delivering the article, and installing or servicing it.

"This situation has arisen, in part, by default. The manufacturer has wanted the retailer to do a better job of selling, but has by-passed him in order to boost sales as rapidly as desired."

This changing emphasis in marketing methods has produced sharply rising expenditures for advertising. During the past 20 years spending for advertising has gone up at a more rapid rate than our total production of goods and services. In the automotive field, spending for passenger car advertising in national media rose from \$30.5 million in 1939 to \$196.6 million in 1959.

Television has provided the manufacturer of consumer goods with a medium through which he can show his product in action and demon-

strate its working features to a mass audience. This has taken a selling tool away from the retail salesman, who used to have a monopoly on demonstrating the product. A customer who has seen a pretty girl open a refrigerator door on television will not waste much time in a store watching a salesman repeat the performance.

Preselling through mass advertising has, in many instances, reduced the salesman almost to quoting prices and accepting the customer's money. Presold customers help themselves to what they want and pay at a checkout counter.

Through preselling and his own investigation, the consumer has become better informed about the product he buys. He frequently finds that a salesman can tell him little about a product that he hasn't learned already from a careful reading of advertisements and personal checking.

With the customer already persuaded that he wants a particular brand before he even goes to the store, price becomes an important consideration. He goes shopping for the best price he can get, and a strong sales effort at one store often takes second place to a lower price at another. The salesman's role is further downgraded.

Preselling is an important force in selling automobiles. A Ford Motor Company survey indicates that three new car buyers out of four have already chosen the make they will buy before they enter the dealer's showroom. Only two per cent of these change their decision after shopping.

This has an effect on the auto salesman. When only a minority of his potential customers need to be persuaded to buy the make of car he is selling, the virtues of the product are eliminated as a basis for salesmanship. Many of his sales may become simply a matter of working out the details of the transaction.

This doesn't encourage vigorous salesmanship. It may lead to price competition with other dealers in the area, which often produces the sharp sales practices that crop up in auto selling.

Soft sell

Despite these encroachments on the salesman's role, there are still broad opportunities for skillful salesmanship. Because of the growing knowledge and sophistication of consumers, good salesmen have found in recent years that the soft, low-pressure sell is much more ef-

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SALESMANSHIP

continued

fective than the traditional high-pressure technique.

"Selling has become very subtle," says Dr. Eugene E. Jennings, a consulting psychologist on business problems. "The good salesman today manipulates the customer's mind so that he doesn't realize he has been sold but rather feels that he has made a good friend."

This point is illustrated in the selling technique of two of the country's top automobile salesmen: Marty Daher, who has sold more Fords than anyone else during the past eight years, and Dick (Monty) Montanaro, who holds the title in Chevrolet sales. Both work for Detroit dealers.

Listen to Marty talking to a potential buyer:

"Don't worry about a thing. I'm acting as your broker on this, and I'll get you the best deal I can."

Monty says: "I sell three things to the customer. First and most important, I sell Monty. Then I sell service on the car he wants to buy and, finally, I sell the product."

Both men emphasize the importance of gaining the customer's confidence as the first step in making a sale. Both say that they never promise anything that they can't personally guarantee. Both work hard to see that the buyer is completely satisfied with his car.

"A sincere desire to help the customer is the key to selling," according to Monty, who was a university instructor in speech before he went into auto sales in 1956.

"High-pressure selling is on the way out. I tell a customer to take his time, go home and sleep on it and call me the next day."

He adds: "Nine out of 10 buy before they leave, anyway."

The success of this form of salesmanship is evident in the records of both men, who have sold more than 1,000 cars a year in their peak years. The average automobile salesman sells about 65 cars a year.

Marketing executives say that the soft sell often may result in the buyer feeling that he really hasn't been sold at all. But as Byron J. Nichols, general manager of Chrysler's Dodge Division and former Chrysler vice president for automotive sales, points out:

"He goes home in a new car."

Quality of salesmanship

On the other side of the coin, marketing experts admit that sales-

manship is not as good as it should be.

"We are certainly concerned with the problem of salesmanship, but believe we are making good progress in improving it," says James M. Roche, General Motors vice president for distribution and marketing. "During the postwar period, the American businessman lost some of the feeling of high respect in which the customer should be held."

"We must rely on the salesman to go out and do the job of selling. We cannot get along on the customers brought in by advertising."

Genaro A. Florez, president of the Detroit manpower development firm which bears his name, puts it more strongly:

"We are seeing the inevitable consequence of continuous neglect. We have been so preoccupied with technological improvement and with producing things that we have delegated the selling function to anybody who wanted to take the risk."

Recent surveys indicate that four out of five people who buy a car have not been contacted by an auto salesman before making the purchase, and less than half of the potential buyers who visit a dealer's showroom are followed up by a later call from a salesman.

The neglected sales opportunities here are brought out by another study which shows that, of every two people who walk into a showroom, one will buy a car within two months.

The value of patience and persistence in selling—and the fact that a minority of salesmen show it—is illustrated by a study which indicates that the 10 per cent of car salesmen who don't give up after the third "no" from a customer make 80 per cent of auto sales.

A frequently cited factor in undermining the quality of salesmanship is the long sellers' market which followed World War II. With the Korean conflict intervening, the public's pent-up demand for new automobiles and other products was not really satisfied until close to the mid 1950's. Many of the current generation of salesmen got their start in this period, when being on the floor with an order book was about all the salesmanship that was required.

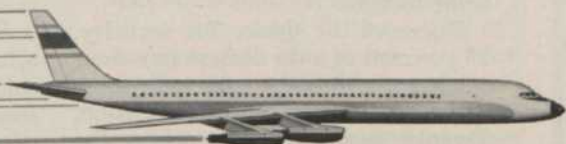
The subsequent change to a buyers' market caught many of them unprepared and untrained.

"World War II relieved the retailer of his selling function and made an order-taker out of him,"

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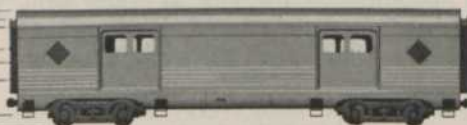
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SALESMANSHIP

continued

Professor Rewoldt says. "He got out of the habit of selling."

Another point is brought out by John R. Sargent, of the management consulting firm of Cresap, McCormick and Paget.

"There are good opportunities in selling for the man who has initiative," he says. "Our trend toward security has made selling less attractive, however. It's a challenge that a lot of young people don't want to take."

To meet the desire for security, 15 per cent of auto dealers pay their salesmen a straight salary, in some cases because of unionization. Twenty per cent still retain the straight commission. The remainder have varying combinations of salary plus commission or commission plus guarantee. Marketing people debate whether departure from straight commission dulls incentive.

How can salesmanship be improved? This question is attracting increasing interest among businessmen. Companies are beginning to look harder for good salesmen and pay more for them. There is a growing emphasis on sales training.

"The big problem is recruitment of salesmen. Careful selection of those candidates with the most potential is the key to better selling," according to M. L. Van Dagens, director of sales training for Chrysler. "We find that you can't change a man very much after you've hired him. You have to choose the right one in the first place. A good salesman must have energy, intelligence, and like people. He must be a self-starter and hungry to get ahead."

The automobile manufacturers and the National Automobile Dealers Association are emphasizing to dealers the need for careful screening in hiring salesmen. Unfortunately, little research has been done on salesmanship and, except for trying to detect the qualities listed by Mr. Van Dagens, spotting a potential Monty Montanaro or Marty Daher is not easy.

"About all we can do in screening salesmen at this time is to eliminate the obviously bad ones," Mr. Florez says.

There are not nearly enough Dahers and Montanaros to go around, and companies are trying to teach basic sales techniques to the salesmen they have. During the past several years, the automobile manufacturers have set up training cen-

ters around the country to train dealership personnel in sales, management, and service.

The top salesmen need no help. They have set up their own small business units within the dealerships and are hard at work selling. Both Mr. Daher and Mr. Montanaro say that virtually all of their new customers are referrals, either from former customers or from "bird dogs" strategically located all over town at such places as gasoline stations and garages. Both maintain regular contact through card or letter with nearly 5,000 former customers.

Sales training officials agree that a big problem in sparking the other salesmen—who have less energy and less initiative—is instilling confidence and enthusiasm and teaching them to use their time efficiently in seeking most likely prospects.

Many salesmen, they say, have a basic bashfulness about telephoning or calling on someone they have never met. They also fear the customer's "no" and hesitate to bring their sales pitch to the point where the customer must make a definite answer.

Use of the telephone is emphasized in looking for potential buyers, rather than canvassing in person, to gain most efficient use of time. Contacting present owners of the car the dealer handles to find out if they or any of their friends are ready to buy is urged. Calling owners of competing makes in the same price range may produce a buyer. Opinion differs on the value of simply canvassing individuals selected at random.

Once a salesman has made several sales through the use of these basic techniques, training authorities say, his confidence and enthusiasm zoom and he's a better salesman.

Another deterrent to better salesmanship, according to marketing people, is that too few sales managers give adequate help and direction to their salesmen. Often the sales manager lacks ability in managing and training his personnel, and too many sales managers busy themselves with other duties which are less productive. This is a weakness which current training programs are trying to correct by teaching the sales manager as well as the salesman.

Despite the problems which have affected salesmanship, the emphasis which the current buyers' market has placed on sales techniques appears likely to produce better salesmen in the future.

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FORCE FOR GROWTH

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been diverted to wages and salaries, or to taxes. To pay for new plants and equipment, business has been forced to borrow money or sell equities. Corporate debt is now the highest it has ever been. This trend has serious implications for our future economic health, and it is imperative that all Americans, including organized labor, be made aware of its importance to them."

Mr. Wagner did not write out that statement. He simply rattled it off at high speed in the course of a conversation. He is an articulate speaker who can hold an audience's interest with a serious discussion of economic issues. He has an enormous vocabulary, which he uses with great precision, and a gift for vivid phrases which is doubtless a carry-over from his love of poetry. Even in a private conversation he never lapses into casual profanity.

Although he has a dread of sounding preachy, Mr. Wagner feels strongly about the deterioration of ethical standards in American life during recent years. He would like to use his influence as Chamber president to reverse this trend and to persuade businessmen—and all other Americans—that a high degree of public and private morality is essential to the maintenance of a free society.

"If there are laws we think are wrong, we should work to get them changed," he says. "But we must never evade them."

In a cynical age which tends to regard piety as good public relations, it is important to note that Mr. Wagner is totally sincere in this statement. His attachment to the old-fashioned virtue of honesty stems from a strict Lutheran conscience which he inherited—along with a gregarious nature, a love of beauty and an incredibly sturdy constitution—from the German immigrant parents who were too poor to endow him with less enduring gifts.

Dick Wagner, the older of two sons, was born June 15, 1896, in the German-speaking section of New York City which is known as Yorkville. But his family moved to Chicago while he was still an infant, and it is Chicago that he regards as home.

Both his parents had come to this country from Germany when they were in their teens. His mother was the daughter of a Lutheran clergyman who was ordered out of Ger-

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FORCE FOR GROWTH

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many in Bismarck's time for preaching a sermon against war. His father was a professional entertainer with a rich baritone voice, who tried to make a career as a singer, but was often compelled to fill in the gaps between engagements by working as a salesman or waiter.

"My parents were wonderful people," Mr. Wagner says, "and there was a good deal of fun and happiness in my childhood, so don't make it sound as though I lived in abject misery. But we were, for a fact, as poor as church mice."

Both of the elder Wagners had come from middle-class families, and had been well educated. They looked upon poverty not as their inevitable lot in life, but as a temporary affliction from which a family could escape by working hard, living frugally and saving every possible penny. His mother found a grocery store, three miles from their home, which sold food at slightly lower prices than the neighborhood stores. So she sent Dick there to do the family shopping.

"I made the six-mile round trip two or three times a week for years," he recalls. "Each time, my mother carefully counted up and put aside the pennies she figured we'd saved on our groceries. Eventually, she had saved up \$120. We used it to make the down payment on a house."

Each summer, Dick was sent to Wisconsin to work on a dairy farm operated by his uncle. It was there, pitching hay and hoeing in the field, that he developed the rugged muscles and the physical stamina which he has been careful to maintain ever since through daily exercise.

In 1910, when he was 14, Dick left school and got a job as a messenger for a bank which was the predecessor of the Continental Illinois National Bank and Trust Co. His pay was \$5 a week plus supper money, and he worked from eight in the morning until ten at night, or later. Even on this schedule, he managed to spend at least one hour a day working out at the YMCA to keep in good physical condition. He also found time to study a shorthand manual, which he found among some books left to him by an aunt.

One day the president of the bank wanted to send an urgent telegram while his secretary was at lunch. Messenger-boy Wagner picked up the stenographer's notebook and announced confidently, "I can take dictation, sir."

The next day he was installed as assistant secretary to the president, and a little while later he became his secretary. His hours were shorter now, so that he was able to attend night school. At the age of 21 on a salary of \$75 a month he married his teen-age sweetheart, Grace Sommer, who had grown up in the same neighborhood of Chicago's north side.

When the 1929 crash staggered the business world, Mr. Wagner was second vice president of Continental Illinois. He could have weathered the storm right there. But Mr. Wagner thrives on risk. When the bank asked him to look out for its interests in a crash-shaken midwestern investment trust called The Chicago Corporation, he readily took on the new job.

He served as vice president to The Chicago Corporation for eight years, and in 1938 became its president.

At the time he took over, the company had assets with a market value of \$31 million, against which preferred stockholders held claims totaling \$38 million. Its gross annual income was less than \$1 million and it had never paid a dividend on its common stock, which was selling for \$1 a share.

It is a measure of Mr. Wagner's management skill that the same company (its name now changed to Champlin Oil & Refining Co.) today has net assets conservatively valued at \$160 million. The preferred stock outstanding has been reduced to \$6 million. Its net earnings topped \$9 million last year. It has paid more than \$50 million in dividends to common stockholders since Mr. Wagner became president, and its shares have recently sold on the New York Stock Exchange for between \$27 and \$30.

In accomplishing this financial metamorphosis, Mr. Wagner converted The Chicago Corporation from an investment trust into a venture capital company, financing new undertakings, or resuscitating old ones, in an incredible variety of industries, ranging from salmon packing (Pacific American Fisheries) to shipping (Pacific Far East Lines), and from real estate (The Fort Dearborn Corp.) to a natural gas pipeline (Tennessee Gas Transmission Co.).

Each time Chicago Corporation went into a new field, Mr. Wagner gave himself a cram course in its particular economic and technological problems by reading every book he could find on the subject, and picking the brains of every ex-

ecutive he knew who had any experience in that industry. As a result of such study and his phenomenally retentive memory, he is able today to talk authoritatively about the management problems of at least a dozen widely disparate industries.

In choosing new ventures for Chicago Corporation to back, Mr. Wagner developed a strong philosophy about the essential ingredients of business success.

"Three things are absolutely necessary," he said. "The venture must serve a real economic purpose. It must have capable management. And the management should have a stake in the profits."

Mr. Wagner's genius as an entrepreneur, according to his associates, is based on a talent for picking good managers—and a willingness to give them their head.

How does he decide whether a man will make a good manager?

"I've been asked that question often," he replied, "and there's simply no formula I can give you. It comes down largely to trusting your own intuition about a man."

As early as 1938, Chicago Corporation began edging into the oil business, by financing a new process for extracting light hydrocarbons from natural gas. Gradually, under Mr. Wagner's leadership, it acquired extensive interests in oil and gas properties.

One of the dramatic episodes in the affairs of The Chicago Corporation was the financing and construction of the Tennessee Gas Transmission pipeline from south Texas to the East. Seeking an outlet for the gas available after extraction of other hydrocarbon materials, the company had first promoted a natural gas pipeline in 1940. The European War was on, steel was under government control. Nevertheless, the company prepared a report showing the need for more energy in the East, predicting that, if this country got into the war, submarine sinkings on our Gulf and Atlantic coasts would starve the East for oil. It advocated a gas pipeline which could be converted into an oil line if required.

If permission had been granted, the line could have been in operation before Pearl Harbor. The Japanese struck in 1941. About two years later the Big Inch was completed, but in the meantime the tankers were sunk by submarines, oil and energy were rationed, and there was considerable need for more energy in the Appalachian area. The war agencies, the Federal Power Commission and others



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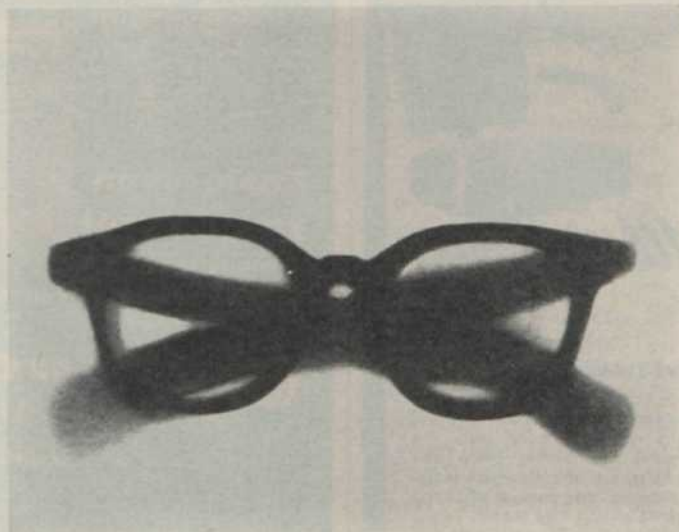
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FORCE FOR GROWTH

continued

stressed the problem. Several projects had been proposed—among them the Tennessee project. When the sponsors of this line could not obtain sufficient gas to satisfy the FPC, The Chicago Corporation (now Champlin) provided contracts for the necessary reserves, believing that with such contracts the sponsors could obtain financing.

When they failed, Mr. Wagner prevailed upon his board to take the responsibility and obtained commitments from the Reconstruction Finance Corporation for interim financing. Mr. Wagner gives much credit to his then-associate, Gardiner Symonds, and to Ray Fish of Fish Engineering Company of Houston for building the line with elapsed time much shorter than that required for Big Inch. Mr. Wagner's job was to keep the various government agencies in line with the necessities of the project, to arrange for funds as the work progressed, and to insure the steady flow of materials needed; also, to handle the legal details. He gives much credit for the project's success to the company's corporate counsel, Arthur D. Chilgren. Shortly after completion of the line, with the help of Dillon Read & Company, public financing was undertaken. The method used became the pattern for a number of similar projects by others which rapidly followed the success of Tennessee.

With the construction of Tennessee, The Chicago Corporation had a market for its gas.

The company's cash flow increased and its expansion into petroleum activities continued.

By 1943, Mr. Wagner felt a great need for some oil management brains, and he went about acquiring them in a way that reflects the great importance he attaches to capable managers. Chicago Corporation simply bought up a small Gulf Coast oil firm, Baldrige and King, and a few years later brought its able young president, Earl Baldrige, into the parent firm as vice president in charge of petroleum ventures.

Thereafter Chicago Corporation steadily concentrated its resources on oil ventures. In 1954, it bought the Champlin Oil & Refining Co., a family-owned independent with headquarters at Enid, Okla., expanded and modernized its plants, and emerged as a fully integrated producing, refining and marketing

oil company. Since 1954, Mr. Baldridge has been president of the firm, with his operating headquarters at Forth Worth, Texas, and Mr. Wagner has served as board chairman and chief executive officer, with offices in Chicago. The company name was changed in 1957.

Champlin Oil has shown a steady growth trend ever since the Wagner-Baldridge team took over. It is now one of the larger independents and holds a respectable share of the total market in its primary territory, the Great Plains states.

Mr. Wagner gives credit for this success to Mr. Baldridge and to a knowledgeable board of directors.

"Capable associates and good organization are prime requisites in business growth," he says.

Mr. Wagner has mastered the intricacies of the oil business with the same zeal and thoroughness he displayed earlier in handling the difficulties of obtaining pipeline right-of-way.

Because oil is found in the ground, he has become an avid student of geology, to the point of having made two long field trips with professional geologists. This has given him a new hobby. He is now a rock hound, and loves to explore remote mountains and canyons, pick in hand, looking for rare or beautiful mineral specimens.

His favorite spot for such exploration is the desert and mountains around Borrego Springs, Calif., a golfing resort near the Salton Sea, 100 miles east of San Diego. He spends a vacation there every spring. The Wagners first visited Borrego Springs in 1944, and he reminds himself of this fact whenever he feels the need for an antidote to some head-turning praise of his business acumen.

"The land here was selling for \$30 an acre then," he recalls with a wince. "But I didn't buy any. I figured there'd never be much demand for property in such a remote wilderness. Now they are selling quarter-acre lots for \$3,500."

The Wagners spend their vacation in a comfortable rented house overlooking the eighteenth fairway of the DeAnza Desert Country Club. He gets up at daybreak every morning and drives into the hills for a two-hour ramble among the rocks before breakfast. After breakfast, he and Mrs. Wagner play golf.

The rest of the year, except for the days when Mr. Wagner is flying back and forth between Chicago and Fort Worth, or on other business trips, the Wagners live in a big country home overlooking a small

lake near Barrington, Ill., about 40 miles northwest of Chicago. He commutes to the Loop by train. Although he can rarely afford the luxury of taking a whole afternoon off for golf, he tries to get home a little early in the summer so that he and Mrs. Wagner can play nine holes at the Barrington Hills Country Club before dark.

Mr. Wagner also likes to fish for bass or trout, trim the 300-year-old oak trees on his grounds, sing robust ballads and compose songs. He has a good baritone voice, like his father, and can play several musical instruments moderately well. When he is deeply moved by something—such as the breathtaking beauty of the desert at dawn—he may write a few verses.

But all of these pursuits—even golf and rock-hunting—are incidental to Mr. Wagner's chief interest. This is his family. It includes a daughter, Mrs. Raymond G. Hanson, who lives with her husband and six children just 20 miles from the Wagner home in Barrington; a son, John Donald Wagner, who has five children, and who also lives within

easy visiting distance at Palatine, Ill.; a son, Richard, Jr., who lives in California, a long way from Barrington but not so far from Borrego Springs; and a third son, Jim Wagner, a senior at Northwestern University and captain of the varsity golf team.

Mr. Wagner's mild vices, which consist mainly of a pipe or cigar and an occasional highball before dinner, have been abundantly offset by his lifelong habit of rigorous daily exercise. As he nears his sixty-fifth birthday, his only health problem is a corpulent midriff which stubbornly resists reduction, and which he blames on "a long line of beer-drinking ancestors."

Because his supply of energy is apparently bottomless, his grandchildren treat him as a peer and expect him to take part in all of their athletic activities, including softball, skiing and skating. He has recently drawn the line, however, at sledding.

"I decided," he explained with a wink, "that it just isn't dignified for a man of my age."

—LOUIS CASSELS

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MAKE FAILURE HELP YOU

EVEN THE MOST successful man sometimes faces personal failure. Some of the largest firms are headed by those who earlier were flops but climbed back because the failure didn't crush them. Rather, they learned and grew from the experience.

What's the secret of making failures pay off in career planning?

There are four basic rules a person may use to guide himself when he fails. They are:

- ▶ Maintain your equilibrium.
- ▶ Learn from the experience.
- ▶ Map a new course of action.
- ▶ Start working at your new plan immediately.

Whether the failure is small, such as getting an idea turned down, or whether it's a demotion or getting fired, the same principles apply.

Maintain your equilibrium

A first step in managing personal failure is to regain your perspective on what failure is and what it isn't. Sizing up the failure and keeping it in proportion requires knowing the answers to three questions:

How big is the failure?

Who thinks it was a failure?

Who knows about it?

How big is your failure? There are varying degrees of failure. A man may miss a nice opportunity which he might have caught. He was thrown a challenge providing great opportunities but he muffed it.

A man may have been simply careless, or he may have done his best but it just wasn't good enough.

In either case he missed success by a wide margin. In some instances failure is unfortunate but can be remedied by some hard work. In others, the error can't be remedied.

Some minor failures affect only the man who missed the boat; others drag a lot of people down with him. Having a balanced judgment on the size of a failure is essential to keeping one's equilibrium.

Who thinks it was a failure? Occasionally a man castigates himself as a miserable performer simply because he has set his standard too high. His boss may not be at all unhappy about his performance.

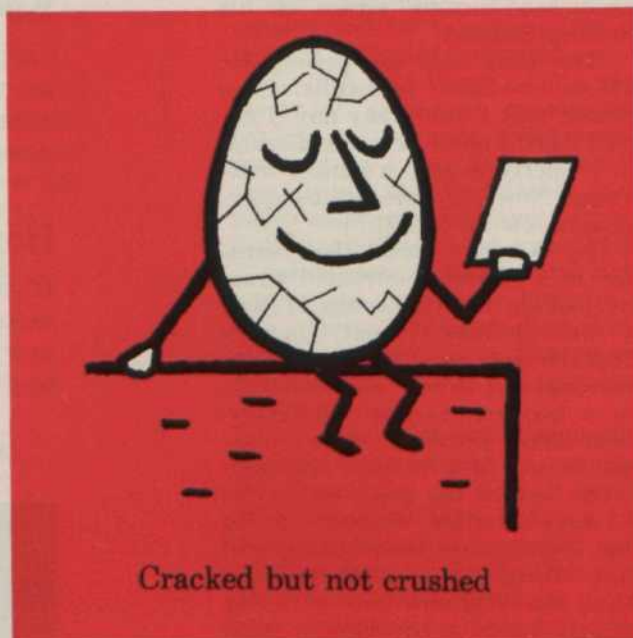
This happened with a staff man who tried to sell management on a big new marketing program, but never got to first base. He blamed himself for not tackling the situation properly, and not getting top management to listen to what he had to say.

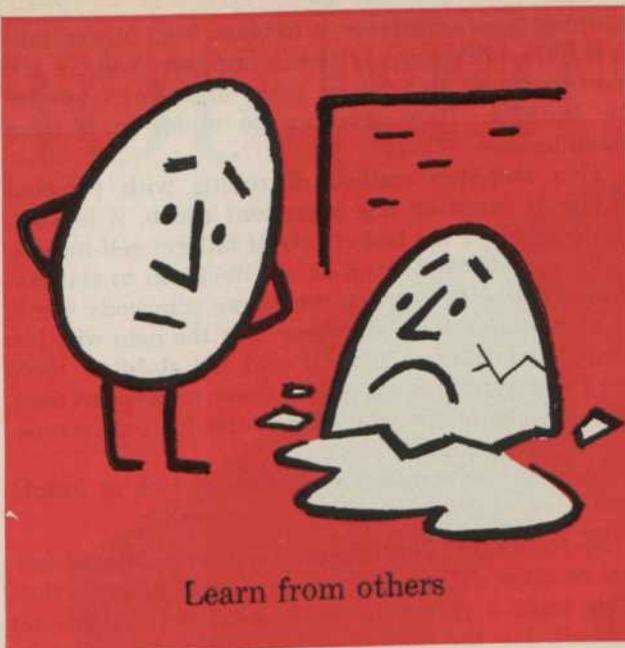
Another executive carefully planned a campaign to get a new line into production by the first of the year, only to have his plans ruined by a flood. The manager of the new operation shrugged it off as bad luck. But the man who had planned the operation was shaken, feeling that he should have foreseen the possibility of such an event.

The reverse also can occur. A man assumes he's doing fine but his boss is greatly concerned over his failure to measure up. This kind of difference in understanding what constitutes a good job—or a poor one—may indicate some communications gap that could be straightened out by a performance review.

In some cases a man may know that his performance isn't adequate even before the boss knows it. He has a chance to get straightened out before it's too late. Occasionally the boss thinks there are areas for improvement in his subordinate's performance and tries to tip him off.

Who knows about it? In some cases failure is apparent only to a man himself, even though all the facts are known to others, including the boss. In this case the self-styled failure may get back on the right





keel simply by taking himself in hand and getting a perspective on what's reasonable and what's not.

In another type of failure, a man knows he's missed the bus and also realizes that, when others find out about it, they'll take a dim view of his performance, too. Under such circumstances, he faces the problem of disclosing the facts to the others. Often the timing and method of such disclosure may have a bearing on his ability to rebound effectively.

Take the case of an account executive who lost a big advertising account through failure to follow up. During the next couple of days, he figured how to break the shocking news to the home office. Before doing so he decided to work over a couple of dry holes he'd been chipping away at for several years for some new business. Under the pressure of his flop, he dreamed up an entirely new approach to these accounts and sewed up one of them. The amount of new business was almost double that which he'd lost through inept handling.

With this plum in hand he went back to the boss and announced, "I've got great news—I just landed the X company account—and, by the way, we lost Y company." The effect wasn't complete enthusiasm, but the failure wasn't a total disaster.

Finally, there's the failure which is apparent to everybody. A man gets fired for some lapse, and it's no secret. The world is in on it, and is perhaps talking about it freely. Perhaps others commiserate with him, or worse still, have helpful suggestions on how the disaster might have been averted.

Executive recruiters say such an individual presents a difficult problem. Because he's accustomed to success, he reacts to failure by losing his equilibrium. Even when the failure is not his own fault it may get him down. The first step, they say, is to help the man recover his self-confidence.

The vice president of personnel of a large eastern company was caught in a corporate reorganization and given his walking papers without notice. His first reaction was rage. While still in its grip he wrote a

number of his friends scathing letters about the dirty deal he'd received. All of them agreed that he was justified in feeling piqued but most also felt his action was ill-advised since it indicated clearly how rattled he was. It hampered his job-hunting efforts considerably, although he finally got a grip on himself and moved into another top spot where he is doing a wonderful job.

Being rebuffed in business is to be expected, and the extremes of rage or despair must be avoided. When an idea is rejected the tendency is to be disappointed. Yet, showing this let-down too visibly is wrong for several reasons. For one thing it indicates that a man can't take hard knocks. If this is the case he may be proving that he can't move to higher-level responsibility where compromise and cooperation are necessary.

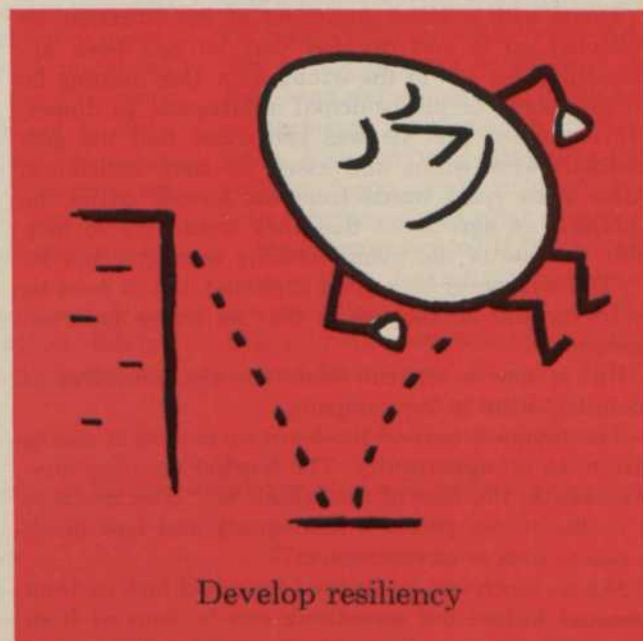
For another thing, it's a mark of maturity and sophistication to be able to give and take without having a false pride of authorship or excessive vanity over the splendor of one's own ideas.

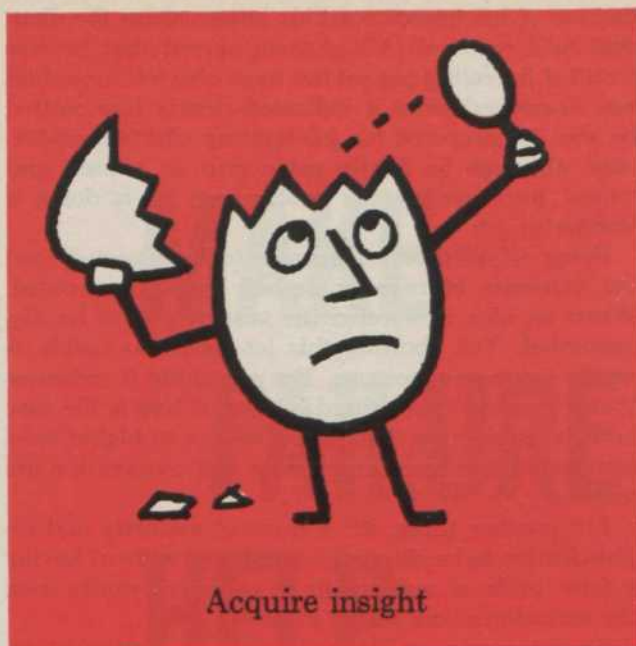
To get a grip on his equilibrium, a man must retreat and think about the situation. Perhaps a brief period of unloading his bitterness with a close friend or his wife is justified. Once this phase is past it's wise for him to get back on the same even keel which made him successful in the first place.

Learn from failure

The smartest people aren't those who know everything to begin with, but those who learn from experience.

Take the man who leaped into a national sales manager's position for a large firm at age 30. He realized after about eight months that he was in over his head. A sudden bad turn in the market caused his company some severe reverses. As the pressure mounted for more results he could foresee that his days with that firm were numbered. Accordingly, he went to management and suggested that he be permitted to find a man to come into the organization





over him, and offered to work with the man or to resign if they wished.

Knowing that he was basically top-flight, the company went along with his plan. They found an old hand in the line who had taken an early retirement from another company and brought him in on a two-year contract to head up the sales organization and to train the younger man. Before the two years ended the younger man had acquired—with the coaching of the experienced man—the necessary know-how to move once again into the top spot and to carry it off with great success.

In another instance the manager of quality control for a midwestern company was called on the mat because everyone else in the organization was mad at him. Technically competent, he lacked an ability to get along with others. He constantly acted in an arbitrary fashion, issued orders and ultimatums indiscriminately, and generally was quite objectionable.

Faced with a frank statement of the situation, he reflected on it and decided that he had been approaching his job in the wrong way. One evening he invited some of his principal antagonists to dinner. He explained that he was convinced that his past methods were wrong and asked for their assistance. After some hard words from his former critics, he obtained an agreement that they would try to help him. As one of the manufacturing managers put it:

"Bill will never be a great diplomat, but at least he is trying and he showed us that he learns from experience."

Bill is now a top candidate for vice president of manufacturing in the company.

The toughest part of the learning process is seeing failure as an opportunity. The hardest question anyone asks in the face of the failure is: "How much of it is due to my personal inadequacy and how much is due to luck or circumstances?"

Not so much can be learned from bad luck as from personal failure but something can be learned from every failure, even those of others. The ultimate in

learning from experience is to learn from others' failures. The difference is that your own failures are more personal and can be more immediately useful for learning. They also can be useful in training subordinates.

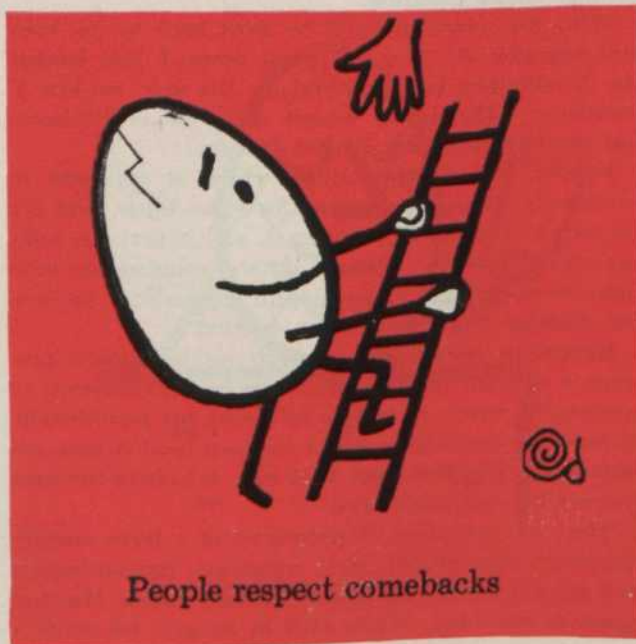
This four-step method of coping with personal failure is based on one ingredient which, if lacking, can compound the bad effects of failure: self-insight. Failure could be defined as not living up to expectations. Maybe the expectations were somebody else's, or maybe they were your own. For the man who has insight, who knows himself and his abilities, there are fewer surprises, especially fewer unpleasant ones, than for the fellow who exaggerates his own competence or importance.

Some of the common symptoms of lack of insight and what to do about it would include:

Perfectionism. Nothing gives a man a sense of failure so often as an overdeveloped sense of perfection. This leads a person to set impossible standards for himself. He therefore does not accomplish what he would hope to. This is good in a moderate dose, but when overdeveloped it results in feelings of guilt over failures when, by ordinary or even extra high standards, a man would be judged a success.

Unwillingness to specialize. Psychologist Johnson O'Connor has identified a pattern of personality which he describes as the "brilliant failure." This fellow is the victim of multiple aptitudes. He fails to get anywhere because his unused aptitudes get in the way. The person with one aptitude may work hard at that one, where the person with eight or nine aptitudes works at something until he hits a problem. Then it becomes easier to change his field of interest than to work out the problem. Because he's multi-talented, he is used to praise and admiration and never really learns to work. His inability to buckle down causes him to fail more often than the fellow with a few aptitudes who works hard.

Can't listen. A tip-off on lack of insight is an in-



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ability to listen to what's said about you. Perhaps it's an overdeveloped ego or single-mindedness. In other cases it might be simple preoccupation and inability to handle many ideas at once. All of these tend to cause a man to become deaf to suggestions and ideas that would help him improve.

Wrong spot. Finally, one of the insights which is most valuable is to know where you can fit without overmatching yourself. This means you and the job must be compatible, and you are often the best person to judge this, if you've developed some self-knowledge.

Map new course of action

Learning from failure isn't too valuable unless a man is willing to convert it into action for the future.

In one firm the manufacturing manager got in a jam because he was tossed into a situation that required more knowledge of finance and accounting than he had. After higher management had bailed him out, he made up his mind that before another year went by he'd get some grounding in fundamentals of finance and accounting. He bought several books, attended a briefing seminar, and went to meetings of the local association of cost accountants. Within a couple of years he spoke the language with facility, knew the major principles, and a lot of the lesser ones as well.

"One day I heard the corporate treasurer explaining discounted cash flow to the president, and I was thrilled to be able to follow him all the way through. Two years ago I wouldn't even have tried. As a result of that fix I got into I really learned something, not just from the mistakes, but from the extra learning it's moved me toward acquiring."

An assistant vice president in a bank was passed over for promotion. When he asked the reason, the boss told him he wasn't mature enough. This set him back considerably at first. When he'd recovered from the shock he sat down and did a self-evaluation.

The first step was to spell out what maturity really

means. He then checked into how he stacked up. He found, for example, that he was likely to approach most situations in an overly optimistic and easy-going manner, which probably looked like frivolity to others. (His easy-going manner had helped him establish equilibrium after the boss had shocked him, too.) This unwillingness to take himself too seriously, he saw, could be both an asset and a detriment.

He could see that bank customers like to have their problems treated seriously by people who seem mature and sincere. He resolved to control his manner and dress to appear more sincere and mature. He didn't sacrifice what he knew to be an asset, but he did change his manner somewhat. Three years later he was senior vice president of the bank.

Start using your plan immediately

Once you've figured out what caused the shock, it's smart to get moving on the corrective plan right away.

In one company the chief engineer found himself with some organizational problems that were beyond his managerial talent. Several important construction and development jobs fell so far behind that the executive vice president had to step in and relieve him. The engineer was demoted to section head.

Gulping his pride, he quickly determined that he would jump into the lesser job and do it better than it had ever been done before. At the same time he would start studying, observing, and reading on management practices so that if he ever got in the higher job again he'd be ready. Soon he was known as the best man who ever held the section head spot. He also chatted with his boss from time to time about his failure as chief engineer and told him of his study plan.

Although he was passed over for promotion twice in the next three years, he kept pouring the effort to it, and finally was promoted back to the top engineering position. This time he made the grade easily.

The situation in which a man doesn't get the promotion—or the decision—he expected is perhaps the most common variety of failure. This is especially hard to handle when the successful candidate—or the decision—is considered by the loser to be wrong. Under such circumstances the loser faces a hard test. He may be sullen. He may pretend to be perfectly happy, then silently sabotage things at every opportunity. Most of the time such actions prove that the boss was right.

Occasionally, when several people are being considered for a promotion and the decision is close, the unsuccessful candidates are called in for an explanation of why the other fellow was chosen. This is a good time to apply all of the principles suggested here.

A failure needn't be the end of the world if the man learns how to rebound. In fact, people tend to rally around and support the fellow who shows he can meet disaster by bouncing back and doing his best.—GEORGE S. ODIORNE

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SHELF-SITTERS

continued from page 38

executive on an open assignment merely to keep him busy for a while. This man made the assignment a permanent job simply because he did not understand what was happening.

He is still assistant to a vice president, but he could by now have become a vice president in his own right.

Another temporarily shelved subordinate, who took the pause too literally, quit because he thought there was no longer any future for him.

All of which makes good shelf-manship a prerequisite. Almost everyone who has gone to the top has at one time or another found himself a reservist. The strategy that seems to be most successful for the individual is to move along with the assignment without too much change in one's style or thrust. Do not lose your drive or your head. Any change out of the ordinary may suggest immaturity and anxiety.

Unsatisfied but unable

One of the most densely populated corporate shelves holds the

men whose superiors have judged them unable to advance. The men believe otherwise. Consequently they rest on their haunches, ready at any moment to spring into action.

While this shelf-sitter is the most difficult to handle, he also represents a group that is the most diverse in its characteristics. Some are young, but many are past their prime. Some have been in the organization all their working lives.

Some are eminent retired military men, public servants or educators who contribute counsel or improve the public image of the company, but are expected to carry only nominal administrative weight.

Many of these people, used to being in the thick of things in previous employment, are unhappy on the shelf and work hard to get off. Sometimes they do so by showing ability previously considered lacking. But in many cases they violate the conditions of their entrance into the firm and are ejected or else moved to what appears to be a more responsible shelf. As one executive puts it, "This shelf-sitter is given a quiet place to think about an important problem that will never be solved."

Also among the shelf-sitters are company heroes who carry the scars from great victories of the past. One may have been the president who once saved the company; another, the engineer whose patents have given the company its secure economic position. Whatever the case, the company has passed them up, but they still hope for a miracle that will restore them to power. Meanwhile, they are treated with dignity and respect.

Next to them is the administrator emeritus who once was a high executive. Because the company wants to maintain the high prestige and honor of all top positions, his status is not tampered with although his power is withdrawn. However, he still strives to influence and persuade.

The real problem is to help him be influential in ways not critical to the program.

This is easier said than done, and no amount of added prestige and money will quiet his inner urge to regain power.

All of these are less tragic than those who have been inadvertently dropped down one of the many personnel crevasses of the organization. They may be lost at any level, including near the top, due to faulty communication, personnel assessment, and training programs. They may be on a shelf due to rigid ad-

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herence to traditional patterns of succession. For example, in many companies the executive in charge of personnel can never become the company president. A staff man may never become a line executive. Or, after a certain age, executives are often not promoted to higher positions because their tenure is about to expire.

All of these shelf-sitters have one thing in common. Because they feel dissatisfied with their superiors' judgment, they are prone to be overly aggressive to get off the shelf. This, of course, is expected. After all, if they completely adapt to shelf life, there would be few competing for top positions. Furthermore, management could be wrong in its judgments, and this error would not be corrected. The problem is that they may become active in negative, unconstructive ways.

For this reason, many shelf-sitters who have been incorrectly judged are lost to the future because they are not able to control their growing antagonism. Their destructive behavior serves to confirm their superiors' judgment.

Satisfied but capable

The surprise of the past decade has been the growing number of shelf-sitters who have unused ability. Often they have decided against future advancement because of the risk and additional responsibilities involved.

If they already fit comfortably on a shelf, it may be difficult to move them. Management has devised tricks and levers to cope with this problem.

"We sometimes send these shelf-sitters to university executive programs to have their sights raised or self-confidence developed," comments one business executive. "We may increase their salaries unusually to stir the pecuniary instinct," says another. A third observes, "We may cut their salaries sufficiently to spur them on."

Some companies have been known to manipulate the executive into such a crisis-like position that he either quits or decides to move up. Typically, they find he does the latter, but the decision will not come unless superiors force the issue.

Then the big problem often is to get the executive to enjoy his forced promotion. This satisfaction is seldom achieved. "One can force a promotion but one cannot force happiness," says a disappointed president.

What complicates this problem is that this shelf-sitter often over-

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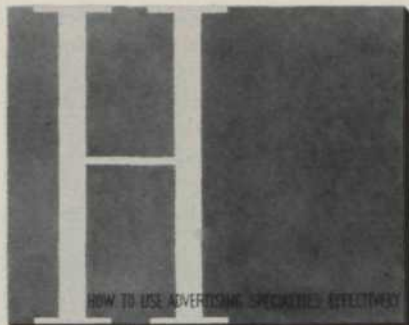
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SHELF-SITTERS

continued

shoots his actual shelf to allow for a demotion.

In such cases threat of demotion only plays into his hands. He arrives then at the level which he set out to reach in the first place.

This shelf-sitter may seem to be easily identifiable because of the abundance of both skill and satisfaction. However, this is not always the case. Many executives entertain a secret desire to sit comfortably on a shelf. They will work diligently to get there. Having arrived, they are not disposed to show too much satisfaction for protective reasons. Not only will they hold their display of satisfaction in mild reserve, but they will also hold back their ability.

Shelfmanship here becomes a trick of appearing to be fully capable of holding down the present job but not quite capable of moving higher.

Equally dangerous is the art of strategic incompetency, which is displaying a lack of higher executive skills at a few critical times.

Satisfied but unable

There are not enough of this kind to go around. They represent a happy agreement with their superiors about their future. They have all of the productiveness of those who are satisfied but able. In fact, they may outproduce them because there is little unused ability to be wasted.

Because they can easily feel insecure, management must take care to assure them that they are needed. Because they are not expected to assume greater responsibilities, management must not allow them to become sloppy and complacent. Ideally they enjoy both freedom and security.

In a way, these shelf-sitters are less vulnerable than the satisfied but able type because they seldom are forced to take a promotion or extend themselves.

The satisfied but unable, however, does fear destruction of his shelf through reorganization or changed policies. He will react aggressively when faced with this dan-

ger. At such times he may become oversensitive to his and others' mistakes. To get the most out of him, he must be allowed to enjoy his shelf.

The art of shelf administration

Business must acknowledge the need for and presence of shelves. To this end, the problem of shelf-satisfaction and dissatisfaction is crucial. All types of shelf-sitters must be allowed certain minimum satisfactions or those who are productive or offer promise will leave the firm.

Effective shelf administration entails several policies.

First, shelf-sitting—regardless of the reason—must be made a perfectly natural thing, if not desirable.

In practical terms, the organization must not make light of the individual who works at his present job as an end in itself. At the same time respect must be offered the individual who wants to go higher.

Although entertaining these two basically conflicting policies may seem difficult, it is done every day in many firms. The difficulty seems to be in applying these policies at the individual level.

To do this effectively means knowing thoroughly the man in question. This requires a good executive appraisal and evaluation program. Such programs often are aimed at determining the skills required and present. Actually, knowing the individual's motivation is equally important.

By knowing your man well, you can help him adjust to his shelf. If he is important enough to be kept on the payroll, he is important enough to be properly motivated, if for no other reason than that he can build anxiety and dissatisfaction among other employees, including his own subordinates.

Second, aside from recognizing the administrative need for the shelf and the importance of knowing the motivational state of the shelf-sitter, some practical don't's must be clearly understood. One concerns the use of punishment. Even the individual who is to be put on a storage shelf out of the mainstream should be persuaded that he can be productive. If this cannot be said with some degree of sincerity, he should be let out. Another common temp-

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tation is to try to cover up the real basis of an employee's lack of progress or usefulness. As one president points out, "It is better not to reveal it than to lie about it."

For example, a man was brought in from another company merely to grace the corporate hierarchy. But he and others were led to believe that he was to be in a policy position. Members of the firm treated him accordingly. With this support and presumed authority he elbowed into places he did not belong.

In another company an emeritus type was brought in for the acknowledged purpose of public relations. He traveled widely, giving speeches and making friends for the company. His success was apparent and rewarding both to him and the organization.

Of course, a president should not necessarily specify the basis of each executive's tenure. It is equally wrong to glorify a shelf position when the true basis is well known. This merely breeds distrust and cynicism and causes others to question whether what they thought were rungs on a ladder of advancement are not actually shelves of some undisclosed nature.

The major share of the organization's resources should be administered to develop people for greater responsibilities. No doubt placing them strategically on shelves now and then contributes to their continued development. Likewise, placing others on shelves with tenure may assure continued performance at their most effective level. But even so, this must be done prudently. The health of a firm is not measured solely by the number of well adjusted shelf-sitters. The number who are moving fluidly about, finding expressions for their talents, is equally important.

The importance of shelving lies in the fact that until now business has favored the myth that everyone is capable of moving up.

However, because only a few were actually moving upward at any given time, little was really done to make the less mobile productive and satisfied at the levels where their upward thrust tapered off.

The big question does not concern shelf-sitting itself, but whether shelf-sitting serves to help people become and stay productive and happy. **END**

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ROBERT PHILLIPS

WHERE U.S. DEBT TO VETERANS ENDS

A Nation's Business interview with
Rep. Olin E. Teague, chairman of the
House Veterans' Affairs Committee

COSTLY new veterans' programs being debated in Congress are raising a basic question: What does the nation owe its former servicemen?

Already, veterans' benefits are costing taxpayers \$5 billion a year. Yet pressure is applied each year for broader and broader programs. Major proposals this year include extension of educational benefits to servicemen who serve only in peacetime, pensions of \$100 a month for all World War I veterans, more federal loans for veterans' housing, higher disability compensation, and

reopening GI life insurance eligibility.

Except for the President, the most influential man in deciding the fate of these and most veterans' programs is Rep. Olin E. Teague, the Texas Democrat who heads the House Veterans' Affairs Committee. His panel has no Senate counterpart and, as its chairman for seven years, Representative Teague is the leading congressional authority in this field. Seriously wounded three times in World War II, he is a sincere friend of deserving veterans,

but a determined opponent of waste in these programs.

In this exclusive interview with **NATION'S BUSINESS**, Representative Teague discusses his philosophy toward veterans' benefits, assesses the current legislative situation and the long-range prospects for ex-servicemen.

Congressman Teague, what does the United States owe its veterans?

First I think we should consider what the citizen owes the United States. My philosophy is that every

American man owes it to this country to be ready, willing and able at any time to fight for his country.

When it comes time for the nation to repay them, I firmly believe that veterans who contributed the most, or made the greatest sacrifices, should receive the most consideration.

Over-all, I think that our country has been generous to our veterans. It has been too generous to some, while others have suffered to the extent we will never be able to repay them.

How much has the United States spent in all for veterans' benefits since the American Revolution?

Almost \$105 billion. A little more than half of that has gone to World War II veterans and about one fourth to the far smaller number of World War I veterans.

Now that the government has so many general welfare programs, is the need for special veterans' benefits lessening?

Yes, it is. But the pressures for special programs still continue. For example, this year some of the new members of Congress have written me, or dropped by, to tell me they are veterans, or their fathers are veterans. The next thing they say is, "We want you to pass that bill giving World War I veterans \$100 a month pension with no strings attached."

Do you support that bill?

No, I do not. I never have, and I don't think I ever will.

Why?

Because I don't think there is any justification for paying a non-service-connected pension to a veteran who is not in need.

In our veterans' program, we must decide on priorities. We start with the men who gave their lives and take care of their widows and orphans. Then we provide for the men disabled in combat, on duty, or at least in connection with their service, and who cannot take care of themselves.

A good share of the available money must be allocated to hospitals.

Then we come to the veterans who are 100 per cent disabled. How can we pay them for the loss of arms and legs? These are the men who may have a hard time getting by. They deserve the most help, while the veteran who is not disabled at all may need little or no help.

How much would the \$100-a-month pension for World War I veterans cost?

The total extra costs above what such veterans now get, according to reports of the Veterans Administration, would be about \$27 billion. Many of the men who served in that war are now receiving social security, and many others also are eligible for veterans' pensions or compensation.

Are changes being considered in the compensation program?

Yes, I expect an increase in some of the compensation rates. Compensation is the money we pay a man because of a disability he received in service or because his service aggravated a disability.

Since the compensation system was last overhauled, the cost of living has gone up about five per cent; federal employes' salaries have gone up about seven per cent. A boost of five to seven per cent in compensation payments may be in order.

We are also trying to make the compensation program more real-

istic. For example, two men may have disability ratings of 40 per cent. But one man's disability may reduce his life expectancy by six or eight years, and the other may really not be affected. These two 40 per cent disabilities are not actually comparable, and should not be compensated the same. The problems of the disabled are highly specialized. We are trying now to enact some amendments to take care of the special problems of certain deaf persons and veterans with certain combinations of losses, such as loss of a leg in combination with loss of an eye.

Any changes coming in pensions?

We are still dissatisfied about the way the changes made in 1959 are working out. In the new law, pensions were tied more closely to the veteran's income and assets. Pensions are grants to veterans and their survivors, as distinguished from compensation for disability, and thus should be even more closely related to their needs.

The 1959 law was designed to help the needy veteran, and reduce payments to future claimants with

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	Number of participants	Amount of benefits
Revolutionary War	290,000	\$70,045,000
Civil War*	2,213,000	\$8,553,472,000
World War I	4,744,000	\$26,341,962,000
World War II	16,535,000	\$55,834,499,000
Korea	6,807,000	\$7,503,940,000
Other	973,000	\$6,455,174,000
Totals	31,562,000	\$104,759,092,000
(Totals cumulative through June 30, 1960)		
*Union servicemen; few Confederates received U. S. benefits.		
Source: U. S. Veterans Administration		

DEBT TO VETERANS

continued

less need. But it may need some revision before it works the way it should.

Should peacetime ex-servicemen get the same benefits as wartime veterans?

I have questioned extension of the GI program to peacetime veterans. The peacetime veteran today is not the same as the veteran of World War II or Korea.

It's true, however, that some of the men drafted today draw hazardous duty.

We send some men to the defense lines in the hills of Korea, some go to the West German-Czech border, where they live under field conditions, and we have men flying the RB-47's and other Air Force planes all over the world under operational conditions. Many Air Force men have been killed or wounded by hostile attack even though their service is legally classed as peacetime service.

Now, it's rather hard for me to tell one of these men that he isn't as much of a veteran as someone who served here in the United States during World War II or the Korean situation. A very small percentage of the men who are now legally classed as war veterans were ever in any danger during their military service.

For the ones whose present duty is similar to wartime duty, I think we might consider some kind of moderate loan, grant or scholarship program.

Is the veteran paid for disabilities incurred while in service, but not on duty?

Unless it is determined to be due to his own misconduct, any serviceman can draw compensation for any injury he receives—even when on leave.

Practically all of the so-called service-connected disabilities for which we are paying compensation today come as a result of an accident to a serviceman who was on official leave.

About 15,000 servicemen are injured or killed in automobile accidents each year, mostly on leave. They or their survivors receive compensation.

For the rest of their lives?

Yes. Say a young serviceman leaves Bolling Air Force Base in the District of Columbia, going to

New York, and is in an automobile accident. If he loses a leg, and it is not determined that it was due to his own misconduct, he will be paid for the loss of that leg the rest of his life.

Do you think this should be changed?

Yes, and I have done considerable work on it.

But I have certainly had no encouragement from the Defense Department. They are violently opposed to it.

Do you favor the proposal to permit veterans to reinstate their GI life insurance where they have let it lapse?

I'm against it, because I feel that, in every way we can, we should get the government out of competition with private business. It seems to me that private insurance companies are entirely able to provide coverage and there's no reason for the government to expand its program.

I think we should concentrate on fundamental things, such as hospital care for the sick and compensation for the disabled, and avoid programs which are less essential.

What would this insurance program cost?

The first year's administrative cost would be about \$7 million, the second year \$4.5 million, and it would go down from there.

The catch is that the veteran would be paying considerably more for his insurance than backers of this proposal indicate. This bill is advertised as giving him a chance to reinstate his GI insurance, but it is really more than that.

The veteran's premiums would be much higher. He is 15 years older now than when the program was closed and the rate will be based on his current age.

Looking ahead, Congressman, should veterans' benefits continue as a separate program, or be merged with other similar government activities?

Some will fade away as separate programs, others will continue. Veterans' housing benefits will probably be extended for a few years more, but they are going to be phased out before too long. By 1967, anyway, the VA should be out of the housing business for World War II veterans.

As for the veterans' hospital program, I'd say it would continue separately.

It's possible this program could be administered by the Department of Health, Education and Welfare,

but I do not believe it would result in better medical care and I don't think it would save any money. I do not know that it would be administered as well.

How many veterans in hospitals are being treated for disabilities not connected with their service?

The average daily patient load is 114,575. Approximately one third of this total, or 38,000 patients, are receiving care for a service-connected disability. Of the remaining 76,500 patients, about 10,500 are veterans getting compensation for a service-connected condition, but requiring care for a non-service-connected condition.

Of the 66,000 other non-service-connected patients, 39,500 are under treatment for disabilities which are unquestionably classified as chronic, such as tuberculosis, psychosis, or some other condition which requires more than 90 days of continuous hospitalization.

Does the Veterans Administration have difficulty determining whether a veteran's disability or disease is service-connected?

It has been relatively easy to establish service-connection for the actual wounds which servicemen received during the war. Establishing service-connection for disease is much more difficult. Since we know so little about such diseases as mental illness and multiple sclerosis, it has been necessary that we establish presumptive periods. In other words, if these diseases develop within a certain period of time from the date the serviceman was discharged, the decision is automatically reached that the disease is service-connected.

Service aggravation of a disease or disability is difficult to establish and requires application of medical judgment. Secondary diseases and disabilities are sometimes difficult to evaluate.

The VA is required to make a decision on all of these types of cases in order that the veteran's eligibility for hospitalization can be established and so that he can be properly compensated.

What stake do veterans themselves have in economical administration of veterans' benefits?

Veterans, their dependents and survivors total about 80 million people, or about two fifths of our population. Presumably, they pay about two fifths of our taxes. Therefore, they should be concerned about how the money is spent. **END**

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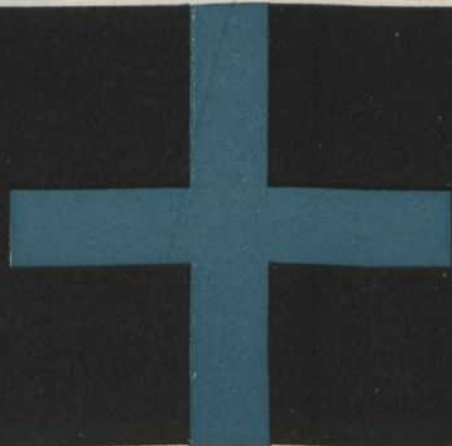


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The Chamber of Commerce of the United States is a strong, positive, vigorous, forward-looking organization. As the representative of all business, large and small, in America, the Chamber works for some very fundamental things. Here is the National Chamber's positive program of action:

1. The National Chamber is for limited government—and for the preservation of decentralized government.
2. The Chamber is for maintaining, strengthening and developing the free competitive market system.
3. The Chamber is for steady economic growth with reasonable stability.
4. The Chamber is for the preservation of human and economic freedom—and for the encouragement of individual initiative, self-reliance, and personal gumption.
5. The Chamber is for the exercise of voluntary, organized action to solve local and national problems.
6. The Chamber is for greater citizenship participation in the processes of representative government.

Specifically:

1. The National Chamber is for meeting the needs of American education through community, state and private action, rather than through federal financing and direction.
2. The Chamber is for the provision of health care for older people through voluntary efforts—and through state and local responsibility—rather than through increased national social taxes on employers and employees.
3. The Chamber is for solving the unemployment problem in the only way in which it can be solved, and that is by restoring incentives to the risk takers and the job makers of America.
4. The Chamber is for the control of government deficit spending, and for subsequent debt reduction and tax reduction.
5. The Chamber is for the control of inflation—and for maintaining the integrity of the American dollar.
6. To protect employers, employees and all other American citizens, the National Chamber is for the curbing of union monopoly power—and for preventing the abuses of such power.
7. The National Chamber is for a major reform of our jumbled, inequitable and outmoded tax system to encourage savings, investment, and job-creating business expansion.

What It Means to Be Positive

In working for one thing, it is often necessary to be against something else.

For instance, when you favor certain basic principles, it is often necessary to oppose a particular proposal which is not in harmony with those principles. This is the way it should be.

You are positive when you take a firm stand against schemes which are not in the public interest—and when you work incessantly for values and creative developments which are in the public interest, and which are directed toward the long-range good of the country.

For further information on any of the subjects mentioned here, write:

GET HELP IN CUTTING COSTS

Four places you can reduce unnecessary expenses by cooperation of employees

TODAY'S stiff competition, coupled with the increasing squeeze on profits, is making businessmen acutely aware of the need for cutting costs.

Employers also are learning that, to be effective, cost-cutting efforts must have the support of all employees.

Here are promotional and communication techniques that have proved useful to many companies in these areas of cost reduction:

- ▶ Waste, spoilage and low quality standards.
- ▶ Absenteeism.
- ▶ Employment turnover.
- ▶ Moving a plant.

Two useful tools are:

- ▶ Company-wide campaigns.
- ▶ Work-simplification programs.

Waste

Common to many of the successful efforts to reduce waste and spoilage, or improve product or service quality are ingredients which should help guide your efforts. They are:

1. Persuasive and dramatic communication which shows that success for the cost-reduction drive is important to rank-and-file employees, not just management.

2. Forceful use of the "beat competition" theme—an approach both understandable and believable to most employees.

3. Clear explanations of the causes of waste, spoilage, and poor quality, and specific suggestions on what employees can do to help.

4. A planned effort to supplement the role of supervision. Supervisors have their own work to do and may be undertrained in communication techniques; they need the help of imaginative promotion materials (employee publications, posters, and newsletters).

Here are some examples of successful efforts:

A small manufacturing plant spent \$200,000 a month on materials. Its shrinkage loss rate was five per cent—\$10,000—a month. A series of meetings, supplemented by a special newsletter, created employee awareness of this loss. Specific "do's" and "don't's" were communicated to employees. They were shown how reducing shrinkage would improve the company's tough competitive situation and their own job security. Favorable response reduced the shrinkage rate to four per cent—a monthly cost saving of \$2,000.

A division of a multiplant company reduced total manufacturing costs by two per cent after a nine-month effort to get employee help. The drive featured weekly meetings at which progress was reviewed, in-plant competition between teams, and recognition of outstanding team and individual achievement at company dinners attended by top management.

A large mining company achieved a 15 per cent saving in scrap and rejects, as well as higher quality production, with a drive entitled "Improved Quality Means More Sales, More Job Security." Techniques included letters to employees' homes, prizes for individual achievements, employee-designed posters, and a special publication to report progress during the drive.

Employees at an Ohio company one morning found the question, "P. D. Q., What Does It Mean?" on posters and stenciled lettering on the floor and walls. Curiosity ran so high that many employees submitted written answers to management. A quality-improvement campaign entitled "Position Demands Quality" was then launched.

The company's serious competitive situation and employee self-in-

terest in improving quality were explained in foreman-employee meetings, in a special "PDQ Newsletter," and in letters to employees' homes. Special exhibits dramatized the exact cause and nature of product rejects. Huge scoreboards in the factory reported on departmental competition in quality improvement. Winning groups received special dinners and plant-wide recognition.

After three months, the quality reports showed five per cent improvement—a whopping cost reduction in terms of dollars and cents. Even more significant, the improvement has been largely maintained.

Through its magazine, a railroad asked employees to double check the weights specified by shippers so that errors would not mean lost revenue. One employee found errors that resulted in \$2,000 of revenue. Many employees found errors totaling more than 2,000 pounds and qualified for a "Tonner's Club" which the magazine formed. In one year, the railroad collected on an additional 770,312 pounds of freight because of this campaign.

Absenteeism

In most companies a high rate of absenteeism is a substantial cost item. A one-day absence of a key employee can result in time-consuming schedule changes and rearrangement of work routines.

Absenteeism has frequently been reduced by techniques which dramatize the importance of being on time and on the job, and give personal recognition to employees with good attendance records. Here are some examples:

A Greensboro, N. C., mail-order plant featured, on the cover of the employee magazine, pictures of employees who compiled outstanding attendance records. Special articles praised their accomplishment.

A food manufacturer dramatized

the problem with a brief photo feature in the employee publication entitled, "How Much is 10 Minutes Worth?" An attractive secretary was pictured hurrying in 10 minutes late for work, glancing anxiously at the office clock. The story read, in part:

"A late arrival is only one way ten minutes can disappear from a working day. There are stretched-out lunch hours, those chats at the water cooler, the corridor conferences that aren't always all business.

"Why the concern about 10 minutes? If each of our 21,000 employees lost just 10 minutes a day, it would cost an estimated \$2.7 million a year . . . paid out in wages for which the company would receive nothing in return."

A large insurance company annually runs a full-page ad in the local newspaper, featuring praise and pictures of employees with perfect attendance records. A 10 per cent improvement in absenteeism has resulted.

A textile company reports dramatic improvement in the absenteeism rate by the controversial technique of publicizing home calls made on a spot basis by the company's visiting nurse. This was accomplished by a photo feature in the employee publication entitled, "A Day With Our Visiting Nurse." The article primarily dealt with the helpful services she provides employees who are sick and confined at home. But one paragraph quoted the nurse:

"My most embarrassing moments come on those rare occasions when an employee is goldbricking. It is, after all, somewhat embarrassing to find an employee perched on a ladder painting his house when I arrive to inquire if I can be helpful in his reported case of a bed-confined virus!"

Employment turnover

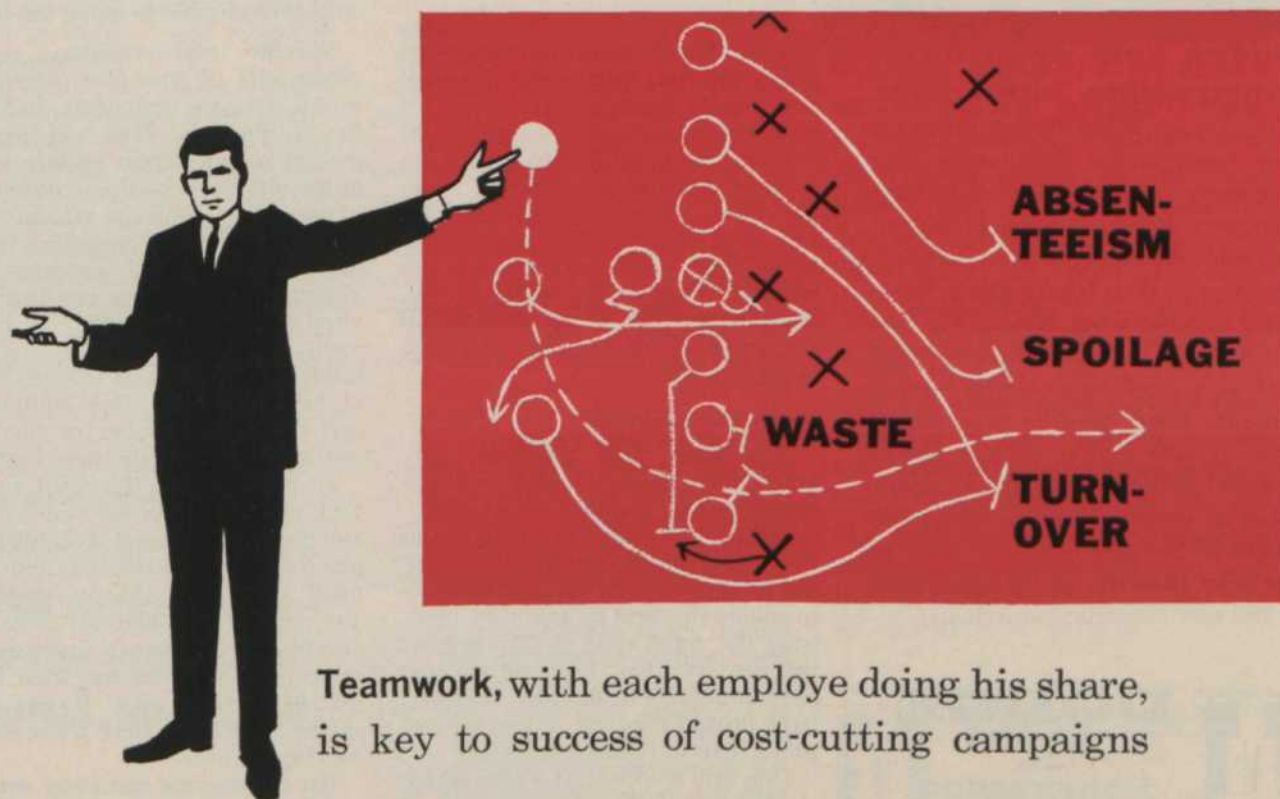
Reducing the rate of employment turnover is a direct money-saver for most companies. A new employee means advertising, hiring and train-

ing costs, and often an initial period of low productivity.

One company estimates these costs as high as \$500 per new employee. Using this figure, the annual turnover costs would be about \$100,000 for a company with 1,000 employees and the not unusual turnover rate of 20 per cent annually. Reducing the turnover rate by just five percentage points would thus bring a saving of about \$25,000 annually.

Personnel experts in some companies are convinced that special attention to promotional and communication techniques can improve turnover records, even though variable external factors make it impossible to prove a direct relationship.

An electrical company believes that it has helped lower the turnover rate by holding special meetings to keep employees well informed about management's determination and constant efforts to minimize layoffs. Employees who are aware of real efforts to improve their job security are less likely to job-hop to





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CUTTING COSTS

continued

another company where similar efforts might be rare.

A large restaurant reduced its turnover rate by 10 per cent following a campaign labeled "The Grass is NOT Greener . . ." A series of articles in the employee publication made a frank comparison of the restaurant's wages, employee benefits, job security, and opportunities for advancement with comparable jobs elsewhere in the city.

The articles also featured case histories (with names deleted) of employees who had returned to the restaurant after taking similar jobs elsewhere. Direct quotes told of their disillusionment:

"I thought I was getting a good deal because the pay was \$5 a week higher. What I didn't know was how poorly they treat their employees, and how tight they are about the kind of meals employees get."

The most common management effort to minimize turnover, of course, is careful implementation of the full range of standard personnel practices, ranging from simple lay-off protection according to seniority to pension plans which reward long service. Beyond this, however, companies are becoming convinced of the additional necessity of vigorously and frequently reminding employees of the inherent value of their jobs.

An insurance firm, for example, learned that its middle management group did not understand the pension plan's financial incentives for long service—and that employees as a whole were indifferent to the expensive package of employee benefits. [See "Take Credit for Hidden Pay," *NATION'S BUSINESS*, October, 1960.] The turnover rate was reduced after a six-month promotional campaign which dramatized the value of the pension plan and other benefits.

Moving a business

Expansion and dispersal programs have made business moves a common—and expensive—practice.

Some of the most grievous losses in a move can be caused by the failure of employees at the old location to cooperate—and by inability to attract the right kind of employees at the new location. Promotional and communication techniques, however, have proved effective in getting employee help to reduce such costs.

One firm worked out a plan which rivaled a military campaign in

thoroughness. Company executives credit it with obtaining employee cooperation which reduced the cost of relocation by many thousands of dollars. The plan, featuring forthright communication and promotion at both the old site and the new, incorporated these features:

- ▶ A statement of the move's specific objectives.

- ▶ An early and simultaneous announcement of the move in both the old and new plant cities, thus scotching rumors.

- ▶ Organized programs of working with both chambers of commerce involved, and other employer associations.

- ▶ Planned efforts to minimize the adverse effects in the old plant city, and to temper the exaggerated expectations at the new location.

- ▶ A series of informative advertisements in the newspaper of the new plant city, featuring such themes as "Why we chose Central City," "We will be permanent here," "We'll try to be good corporate citizens," and "How we will pay, recognize and promote our employees."

- ▶ A series of meetings with employees at the old location to explain the carefully worked-out plan to aid placement in new jobs of employees not eligible or not wishing to move to the new location—and to promote the virtues of the new location to employees eligible to make the move.

Specific cost-reduction accomplishments of this plan, according to top company managers, included the avoidance of what had been regarded as an almost certain strike at the old location; the maintenance of normal productivity standards up to the last day of operation at the old location; a high percentage of acceptances by those employees invited to move, and effective placement in new jobs of those left behind; an orderly and efficient move of machines and office equipment, and a record number of qualified job applicants at the new location.

In some cases, the most important cost factor to an employer in moving is the loss of difficult-to-replace skilled, professional and technical manpower. Many employees are reluctant to tear up roots and accept the company's invitation to relocate themselves and their families in another city. It has been shown, however, that these losses can be minimized.

An engineering company was advised by experts that its move from

one California city to another would result in the loss of 30 per cent of its skilled employees.

In an attempt to avoid this, the company launched a comprehensive promotional campaign. It centered on publicity in the employee publication. The newspaper carried management announcements and interpreted them. It carried a series of articles which told in colorful terms of the advantages of living in the new city—including information on schools, the recreational facilities, churches and shopping facilities.

Although the company found it impractical to provide incentives such as additional salary increases upon moving, or full payment of moving expenses, the move was completed with highly satisfactory results. Employee losses because of the relocation amounted to only 14 per cent and only two employees from the vital engineering supervisory ranks were lost.

Cost-reduction campaigns

The key role of employee help in cost-reduction is best dramatized by the large-scale, company-wide campaigns which feature imaginative promotion and employee communication.

When one company faced the problem of falling profits in spite of increasing sales, it launched an all-out communication program designed to build better employee understanding of the competitive situation and to solicit employee help in the total problem. A top executive told management:

"Only after we have brought about a realization and sympathetic understanding of our problems among employees—only after we have gained the enthusiastic support of each individual—can we expect to meet this competitive situation."

A comprehensive program was then started, with the theme "Let's

All Work Smarter." The program included oral, visual and written communication techniques. Four specific methods were used:

1. One-hour meetings were held weekly by each foreman with employees on special department problems of increasing production efficiency, cutting costs and improving quality.

2. Display panels were used to show competing products, as well as company products that had slipped past the quality control inspectors, had been shipped to customers and had resulted in complaints.

3. Each plant manager sent local employees a monthly newsletter. The newsletter and the company magazine featured news about the campaign, and gave credit for individual and group accomplishments.

4. Colorful, weekly posters displayed on special bulletin boards hit hard on such subjects as waste, quality, competition and teamwork.

After one year, a company spokesman commented:

"Our local managers have noted an entirely different attitude toward our quality control inspectors, our industrial engineers and our research people. Formerly, slipping something past the inspector was more or less a game. We now find production workers calling the inspector's attention to goods that are coming through that are not up to standard and asking him to check further back on the production line to find out what's wrong."

At this and other companies which have developed similarly imaginative campaigns, employee co-operation has brought such specific dollars-and-cents savings as better quality standards, lower maintenance costs, fewer grievances, more and better employee suggestions, less work contracted outside, and improved delivery schedules.

Company-wide promotional efforts centering on one cost factor have worked well, too, when well promoted. One company, for example, launched a program to bring down the accident rate of car fleet salesmen, which had pushed insurance costs to a record level. All normal channels of safety education had been used without much success.

Then the employee publication began hammering home safety themes in a planned series of dramatic and imaginative articles and contests. The high costs were explained in detail. Specific accidents and tips on avoiding them were discussed. Result: The accident rate in the fleet was reduced 80 per cent though the



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fleet grew 26 per cent and mileage went up 52 per cent. Insurance rates went down, and significant dollar savings were achieved.

Work-simplification

Programs for work-simplification take many forms, but a basic technique is to set up employee committees to study methods of increasing efficiency and lowering costs. Employee cooperation is the key to success of these programs. These simple rules will help:

- Make sure the purpose of your work simplification program is related to employee job security.
- Make sure that employees are fully aware of the existence and purpose of the program.
- Make sure the results are fully reported.
- Make sure that members of the work simplification committee, as well as individual employees who cooperate, get some form of public recognition for their efforts.

A West Coast newspaper, for example, used to good advantage its internal employee publication in recognizing and praising the efforts of employees involved in a work-simplification program.

The accomplishments of this program included substantial cost savings in solving a critical problem of newsprint inventory control, elimination of duplications and misunderstandings in changing press setups, and working out a more efficient employee cafeteria arrangement.

The supervisor of the program says: "Employees in any company hate waste—and nothing will depress morale as completely as having to work inefficiently."

Results of well promoted work-simplification programs in other companies include: Lower-cost office filing procedures; elimination of unnecessary records and reports; elimination of overtime through better work-scheduling; closer cooperation between manufacturing and administrative components; and a faster, less-expensive system of internal information flow.—C. J. DOVER

REPRINTS of "Get Help in Cutting Costs" may be obtained for 10 cents a copy or \$7.00 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D. C. Please enclose remittance with order.



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SIMPLE ARITHMETIC

THOSE WHO INSIST on federal intervention in public education need to prepare a new strategy.

They base their arguments that federal money is necessary on estimates that growing enrollment will require construction of 610,000 additional classrooms in the next 10 years. This would mean an average of 60,000 new classrooms would have to be built annually, a rate which, they declare, is beyond the capacity of states and communities to handle.

This view is demonstrably false. Since the 1954-'55 school year, when 60,000 new classrooms were built, states and communities have beaten the estimated requirement every year.

The lowest figure for new classrooms in any year since then was 62,800; the highest, 72,100. School bond sales and approvals for

the future indicate no slowing in the rate. Some 69,600 new rooms will be added in this school year.

Such a building rate, continued to 1970, would provide 80,000 more rooms than the anticipated need.

Meanwhile, the enrollment flood resulting from the postwar baby boom has already swept through the elementary schools. It has now reached the junior high schools. In 1963 it will reach the high schools. Three years later it will have moved on to the colleges. Even this year new enrollments will drop from the recent one million to 600,000.

By 1970, then, the problem may be too many classrooms and unemployed teachers.

Finding a way to meet this difficulty by spending more federal money should not tax the ingenuity of those who now urge government funds for building.

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aluminum paint like D & G is economical, has remarkable hiding power, can be touched up without objectionable color contrast. And at night, reflective aluminum paint is highly visible—an important safety factor.

ALCOA does not make paint, but ALCOA Pigments are used in more aluminum paint than any other brand. These paints actually cost less, last longer, give utmost protection against heat, cold, sun, rain, smoke and fumes. For more information about all types of aluminum paints and coatings, please send the coupon.



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